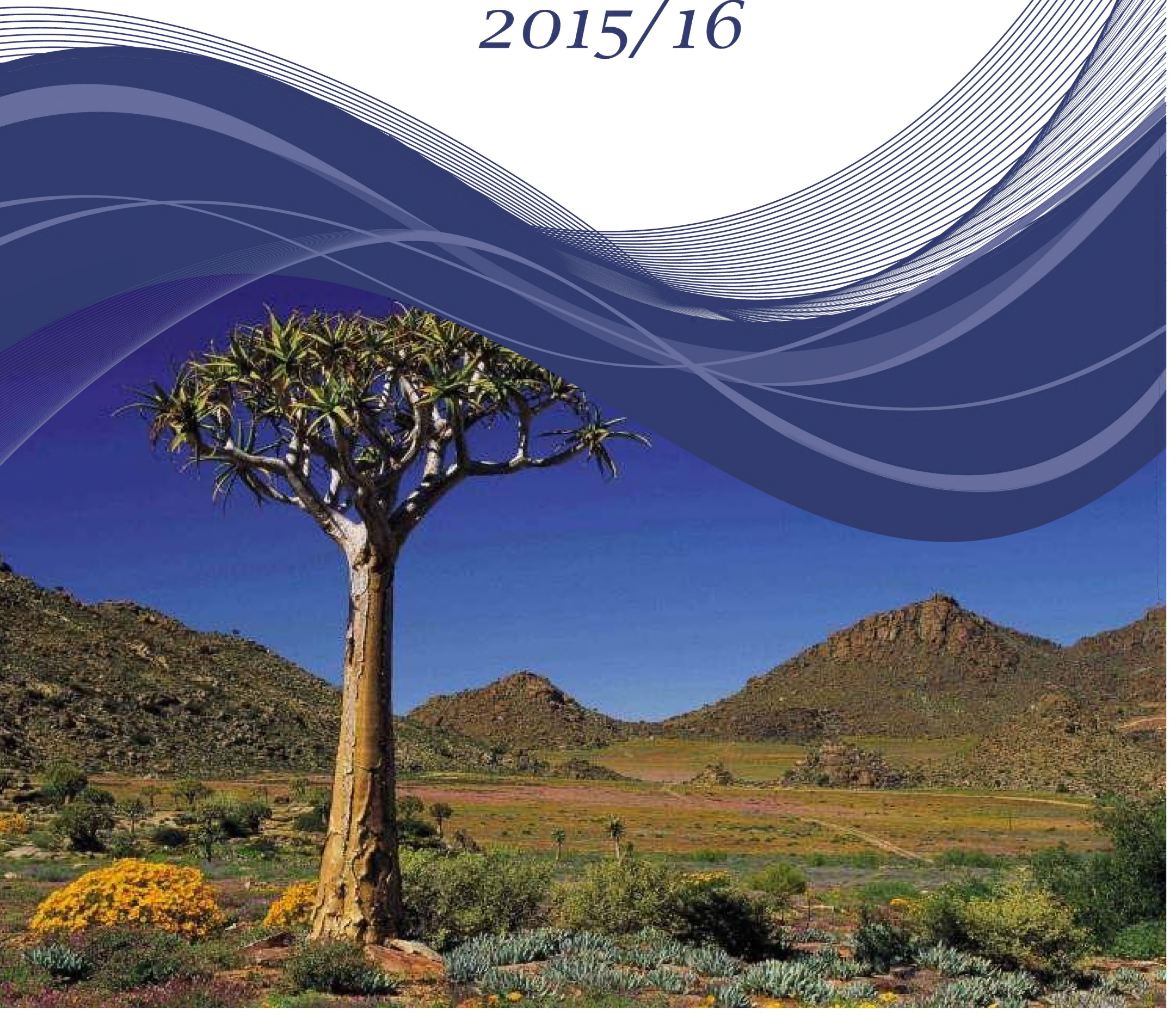


Pixley Ka Seme District Municipality



Annual Report 2015/16



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**THE PERFORMANCE REPORT IS ISSUED IN TERMS OF SECTION 46 OF THE MUNICIPAL SYSTEMS ACT (NO. 32 OF 2000)
AND WILL BE INCLUDED AS CHAPTER 3 AND 4 OF THE ANNUAL REPORT OF THE MUNICIPALITY AS CONTEMPLATED
IN SECTION 121(3)(C) OF THE MUNICIPAL FINANCE MANAGEMENT ACT (NO. 5 OF 2000)**

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CHAPTER I: MAYOR'S FOREWORD & EXECUTIVE SUMMARY

CHAPTER I

COMPONENT A: MAYOR'S FOREWORD

Chapter 7, Section 152 of The Constitution of the Republic of South Africa, 1996, states the objects of local government as follows:

- (a) to provide democratic and accountable government for local communities.
- (b) to ensure the provision of services to communities in a sustainable manner.
- (c) to promote social and economic development.
- (d) to promote a safe and healthy environment, and
- (e) to encourage the involvement of communities and community organisations in the matters of local government.



The abovementioned Constitutional mandate, as well as other relevant local government legislation is very instructive and fundamental in guiding the operations and programmes of Pixley ka Seme District Municipality.

The 2015/16 financial year was characterized by a number of important activities at a district, provincial, national and global stage. Key amongst these challenges of the past financial year was the deteriorating global economic situation. Whilst South Africa could successfully negotiate its way through the worst crisis in 2008/09, the country could not escape the ever-worsening global situation. South Africa, as part of the developing world, was seriously hit by the global economic crisis, to an extent that the socio-economic conditions of the poorest section of the society got worse. However, the comprehensive social-security network provided by government, resulted in the cushioning of the unemployed, vulnerable and the poor, who are female and black in general.

The last financial year also saw the country preparing for the local government elections, held on 3 August 2016. This ensured that the people of the country who were eligible to vote were afforded an opportunity to decide on those who must lead them at the local municipal-level. South Africa's democracy matured over the last two decades, to such an extent that it holds regular, free and fair elections. This serves as a perfect example of South Africa adhering to the principles of constitutional-democracy, where voters are afforded a chance to determine the future of the country, in an atmosphere free of violence and intimidation.

We are of the view that national and provincial government must create the necessary platform for us to have a discussion on the future role and function of district municipalities. This discussion will ensure uniformity and consistency in the services provided by district municipalities across the country. The majority of district municipalities are currently operating without dedicated services, some are water-services authorities, others are shared services institutions, some are accredited housing-developers, whilst others are just relying on their equitable share allocations. This matter was tabled at the different Intergovernmental Relations Forums during 2015/16, raising the plight of district municipalities, especially in the Northern Cape.

CHAPTER I: MAYOR'S FOREWORD & EXECUTIVE SUMMARY

We have also experienced the intensification of the “Back to Basics” campaign during the 2015/16 financial year. It afforded us an opportunity to really assess the functionality of the Pixley ka Seme District Municipality and its relationship with the local municipalities and the community and stakeholders of the district. Pixley ka Seme District Municipality succeeded in the appointment of a service provider to conduct a community satisfaction survey in the entire district. The results of the survey will be useful in the planning of local government in the district, as it will give an accurate picture of the levels of service delivery in the district, including the service delivery by sector departments. These results will be communicated to all local municipalities and sector departments during the 2016/17 financial year.

Cllr MT Kibi

Executive Mayor

DRAFT

CHAPTER I: MAYOR'S FOREWORD & EXECUTIVE SUMMARY

COMPONENT B: EXECUTIVE SUMMARY

1.1 MUNICIPAL MANAGER'S OVERVIEW







The Pixley ka Seme District comprises of 8 local municipalities, making it the district with the highest number of local municipalities in the Northern Cape. It covers a total landmass of 102 727 km.

This annual report will cover all the activities undertaken by the Municipal Council, led by the Executive Mayor, as well as the administration, led by the Municipal Manager.

The Pixley ka Seme District Municipality prides itself for having maintained very high administrative standards and processes. This was to ensure that the institution complies with the expectations set by the Municipal Council, its management and staff, the community and stakeholders, provincial and national government. The staff, led by the senior management team ensured high standards of professional conduct and administrative ethic.



The administration of the Pixley ka Seme District Municipality is configured as follows:

-  Office of the Municipal Manager
-  Internal Audit
-  Office of the Executive Mayor
-  Budget and Treasury Office
-  Corporate Service
-  Infrastructure, Development and Housing

Whilst the district is still afflicted by the triple challenges of unemployment, poverty and inequality, huge strides have been made by the government to address such. The report will reflect in detail on the improvement of the socio-economic conditions of the people of the district.

The municipalities in the district also resolved to have a joint planning forum, termed the district municipal planning tribunal, which will deal with all spatial development matters. It can be reported that the District Municipality Planning Tribunal (DMPT) is fully constituted with all municipalities and other stakeholders represented on the planning tribunal. This will serve as a structure that will ensure that the spatial development of the district complies with the prescripts of the Spatial and Land Use Management Act (SPLUMA). No spatial development will be allowed in the district, without it being authorized by the district municipal planning tribunal.

The 2015/16 financial year also saw the National Department of Health having audited the Municipal Health Services of Pixley ka Seme District Municipality. Whilst this exercise identified a number of shortcomings in both the administration and delivery of municipal health services, it also provided the institution with an opportunity to restructure its operations in order to respond to the issues raised by the audit.

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The Pixley ka Seme District Municipality will also report on the implementation of its audit recovery plan, as adopted by the Municipal Council. This plan resulted in the institution having reduced the matters of emphasis raised by the Auditor-General in the previous audit report, 2014/15.

Pixley ka Seme District Municipality can also proudly report that it religiously implemented its Back-To--Basics Action Plan for 2015/16. The Department of Cooperative Governance, Human Settlements & Traditional Affairs (COGHSTA) revised its categorization of municipalities in the Northern Cape, based on the last audit performance. This resulted in the Pixley ka Seme District Municipality being revised from 'reasonably functional' to 'improved performance'.

Pixley ka Seme District Municipality is also humbled by the appointment of Mr TA Loko as a trustee of the Cape Joint Fund, which demonstrates once again that officials of this institution are always ready and available to go the extra mile and avail their skills and expertise to serve the broader humanity.

Mr RE Pieterse

Municipal Manager

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CHAPTER I: MAYOR'S FOREWORD & EXECUTIVE SUMMARY

I.2 MUNICIPAL OVERVIEW

This report addresses the performance of the Pixley Ka Seme District Municipality (DM) in the Northern Cape in respect of its core legislative obligations. Local government must create the participatory framework that defines and enhances the relationship between elected leaders and their communities. This requires that the Council of the municipality provides regular and predictable reporting on programme performance and the general state of affairs in their locality.

The 2015/16 Annual Report reflects on the performance of the Municipality for the period 1 July 2015 to 30 June 2016. The Annual Report is prepared in terms of Section 121(1) of the Municipal Finance Management Act (MFMA), in terms of which the municipality must prepare an annual report for each financial year.

I.2.1 Vision and Mission








The Municipality committed itself to the vision and mission of:

Vision:

“Pixley ka Seme DM, PIONEERS of DEVELOPMENT, a HOME and FUTURE for all.”

Mission

The Pixley Ka Seme DM will achieve its vision by:

-  using the integrated development planning process to create a home for all in our towns, villages and rural areas;
-  promoting economic growth that is shared across and within communities;
-  local economic growth and development, job creation and poverty alleviation;
-  providing political and administrative leadership in the development planning process;
-  ensuring that we get the sustainable delivery of basic services right;
-  mainstream integrated planning in the operations of our municipalities;
-  focusing on integrated planning as a means of building stronger communities and building bridges between communities.

I.3 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

I.3.1 Population

The Municipality has a total population of 186 352. The following table shows the overall population, as well as the total number of households within the specific municipality in the Pixley Ka Seme DM areas:

Municipality	Number of Households	Total Population
Emthanjeni	10 457	42 356
Siyancuma	9 578	37 076
Umsobomvu	7 841	28 376

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Municipality	Number of Households	Total Population
Siyathemba	5 831	21 591
Ubuntu	5 129	18 601
Thembelihle	4 140	15 701
Kareeberg	3 222	11 673
Renosterberg	2 995	10 978
TOTAL	49 193	186 352
Source: Stats SA Census 2011		

Table 1: Overview of the Population Within the District Area

1.3.2 Socio-Economic Information

a) Population by race

Population by race	2011
African	58 614
Coloured	110 257
White	15 064
Indian	1 046
Other	1 371
TOTAL	186 352
Source: Stats SA Census 2011	

Table 2: Demographic Information of the Municipal Area – Race Categories

1.3.3 Demographic Information

b) Municipal geographical information

The Pixley ka Seme District lies in the south-east of the Northern Cape Province and shares its borders with three other provinces, namely, the Free State province to the east, the Eastern Cape to the south-east and the Western Cape to the south-west. It is one of five district municipalities in the province and is the second largest covering a total surface area of 102 727 km².

It consists of 8 local municipalities, namely: Emthanjeni, Kareeberg, Renosterberg, Siyancuma, Siyathemba, Thembelihle, Ubuntu and Umsobomvu. Emthanjeni is the largest and Renosterberg the smallest of these municipalities.

Emthanjeni Municipality: comprising of the three towns De Aar, Britstown and Hanover. De Aar is the second most important railway junction in the country. When the railway line was built from Cape Town to Kimberley, the administration bought a large portion of the farm, De Aar, meaning coincidentally “artery”, after underground water supply, envisaged as large life-giving veins of water.

Kareeberg Municipality: This municipality comprises of three towns, that is, Carnarvon, Van Wyksvlei and Vosburg. The municipal area is the heart of the Karoo and the predominant economic activity is livestock farming. The possibilities of having Kilometre Array Telescope befit the landscape of the municipality that is characterised by clear skies and less pollution. This municipality is an entry point to the Western Cape Province from the Northern parts of the country.

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Renosterberg Municipality: The municipality is located on the banks of the Orange River. The municipality was formed through the amalgamation of three towns, that is, Petrusville, Vanderkloof and Phillipstown.

The municipality covers approximately 553 000 ha of land and forms about 5% of the total area of the district.

Siyancuma Municipality: This municipality hosts the confluence of the Vaal and the Orange River. It comprises in the main of three towns, that is, Campbell, Douglas and Griekwastad and has densely populated rural settlement called Smitchdrift. The municipal area is richly endowed with precious and semi-precious stones, that is, diamonds and tiger's eye. Beneficiation of tiger's eye is on the high impact project identified in the District Growth and Development Strategy. The municipality has a great tourism potential.

Siyathemba Municipality: This municipality is located on the banks of the Orange River and boasts with massive and high scale irrigation farming, the river not only adds agricultural value to the municipality but also boosts massive tourism and economic potential. The municipality comprises of three towns, that is, Marydale, Prieska and Niekerkshoop. The municipality has massive potential for mining activities of both precious and semi-precious stones. The municipality also has the Alkantpan testing area where international and national ammunition testing is done.

Thembelihle Municipality: This municipality is also located on the banks of the Orange River. The municipality was formed through the amalgamation of three towns, that is, Hopetown, Strydenburg and Orania. The outcome of the dispute regarding Orania has not yet been decided upon and the uncertainty still exists as to where Orania is demarcated. N12 cuts through this municipal area and is a major boost to the economies of Hopetown and Strydenburg.

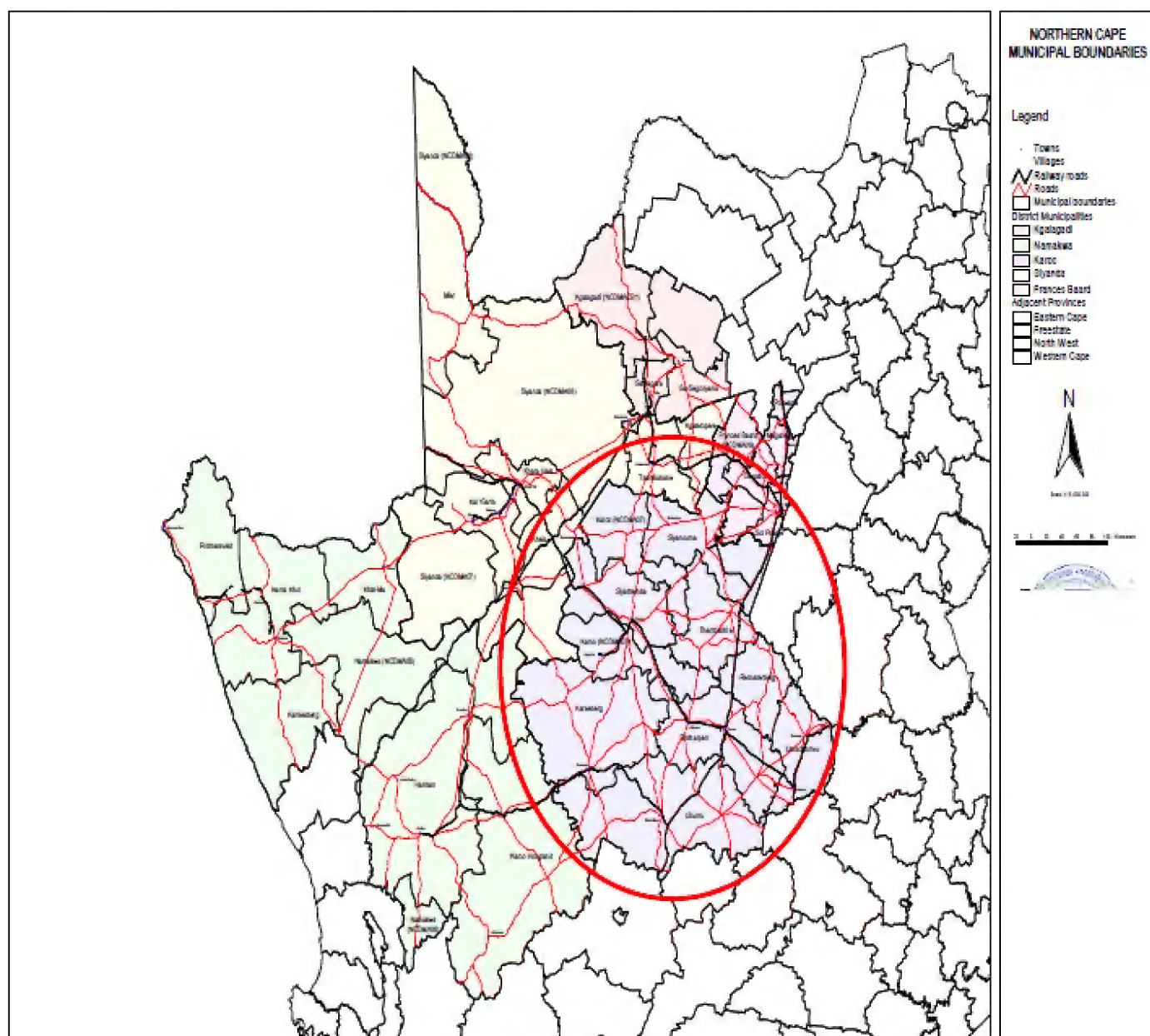
Ubuntu Municipality: The municipality comprises of three towns that is Victoria West, Loxton and Richmond. The N12 and N1 pass through this municipality and have a great tourism potential. The preliminary study in the district's Mining Strategy highlights that the municipality is endowed with uranium deposits.

Umsobomvu Municipality: This municipality comprises of three towns, that is, Colesberg, Norvalspont and Noupoort. N1 and N9 traverse through the municipality. It shares borders with other municipalities in the Eastern Cape and Free State Provinces. In the district this municipality is among the municipalities that hold massive tourism potential.

The composition of the population plays a cardinal role in the development of any geographical area. Population growth and trends affects the economic, social and physical development within an area through the provision of and demand for services and goods

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Below is a map that indicates the location of the Municipality:



1.4 FINANCIAL HEALTH OVERVIEW

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and Section 43 of the Municipal System Act (MSA). These key performance indicators are linked to the National Key Performance Area namely Municipal Financial Viability and Management.

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I.4.1 National Key Performance Indicators – Municipal Financial Viability and Management (Ratios)

Indicator	2014/15	2015/16
Cost Coverage ((Available cash + Investments)/monthly fixed operational expenditure)	0.00	0.00
Debt coverage ((Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	0.77	0.35

Table 3: National KPI's for Financial Viability and Management

I.4.2 Operating Ratios

Detail	Actual (%)	% Variance
	%	
Employee Cost (excluding remuneration of Councillors)	63.74	64.20
Repairs and Maintenance	2.06	1.92
Note: Repairs and Maintenance on basic services are not applicable as the municipality as a District Municipality is not responsible for the delivery of basic services in the previous district management areas.		

Table 4: Operating Ratios

I.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

I.5.1 Municipal Transformation and Organisational Development Highlights

Highlight	Description
Progress in skills development	The municipality, with its limited budget for skills development, could send officials to the Municipal Finance Management Programme presented by the Central University of Technology, working with the Kgolo Institute. Through this intervention, where training was funded by external stakeholders, the municipality was able to save almost R810 000 on skills development
National Treasury Awards	The municipality was awarded as the best municipality in the Northern Cape to implement the objectives of the Municipal Finance Management Programme in February 2016. This recognition was by both the national and provincial treasury department
Best committed financial intern in the Northern Cape	National Treasury recognised one of our financial interns, miss. Yolanda Mabedla as the Best Committed Financial Intern in the Northern Cape Province at an event that was held by Provincial Treasury in February 2016 in Port Nolloth
Stakeholder relations	The municipality forged working relations with external stakeholders for the interest and wellbeing of its employees. The municipality forged relations with the Department of Health where their physiotherapy department held a session with all our employees during our Health and Wellness Day. The department further committed to counsel and or assist all our employees with challenges relating to health and wellness. The municipality is making use of the opportunity

Table 5: Municipal Transformation and Organisational Development Highlights

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I.5.2 Municipal Transformation and Organisational Development Challenges

Challenge	Action to Address
Budget for skills development especially for Employee Study Assistance Programme	The municipality to consider in future to budget more funds for skills development
Budget for Employee Health and Wellness Programme	The municipality to budget for the Employee Health and Wellness Programme

Table 6: Municipal Transformation and Organisational Development Challenges

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CHAPTER 2

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

Good governance has 8 major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

2.1 GOVERNANCE STRUCTURE

2.1.1 Political Governance Structure

The Council performs both legislative and executive functions. They focus on legislative, oversight and participatory roles, and have delegated its executive function to the Executive Mayor and the Mayoral Committee. Their primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as decision makers, councillors are also actively involved in community work and the various social programmes in the municipal area.

a) Council

Below is a table that categorised the councillors within their specific political parties and wards for the 2015/16 financial year:

Council Members	Capacity	Political Party	Ward Representing or Proportional	Percentage Council Meetings Attendance	Percentage Apologies for Non-Attendance
				%	%
J Lolwana	Executive Mayor	ANC	Proportional	100%	N/A
M Kibi	Speaker	ANC	Proportional	100%	N/A
U Itumeleng	Member Mayoral Committee	ANC	Proportional	83.33%	100%
A Sintu	Member Mayoral Committee	ANC	Proportional	83.33%	100%
H de Villiers	Councillor	COPE	Proportional	100%	N/A
J Grobbelaar	Chairperson MPAC	DA	Proportional	83.33%	100%
P Bushula	Councillor	DA	Proportional	100%	N/A
N Thomas	Councillor	ANC	Representative	100%	N/A
G Nkumbi	Member Mayoral Committee	ANC	Representative	100%	N/A
W du Plessis	Councillor	DA	Representative	83.33%	100%
D Jason	Councillor	ANC	Representative	100%	N/A
M Bitterbos	Councillor	ANC	Representative	83.33%	0%
J George	Councillor	ANC	Representative	83.33%	0%
L van Niekerk	Councillor	COPE	Representative	50%	66.67%

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Council Members	Capacity	Political Party	Ward Representing or Proportional	Percentage Council Meetings Attendance	Percentage Apologies for Non-Attendance
				%	%
F van Wyk	Councillor	ANC	Representative	83.33%	100%
P Louw	Councillor	COPE	Representative	83.33%	0%
C Jantjies	Councillor	ANC	Representative	75%	100%
A Fritz	Councillor	ANC	Representative	83.33%	100%

Table 7: Councillors

Below is a table which indicates the Council meeting attendance for the 2015/16 financial year:

Meeting Dates	Council Meeting Attendance	Apologies for Non-Attendance
29 August 2015	17	0
11 December 2015	15	2
13 January 2016 (Special meeting)	12	3
04 February 2016 (Special meeting)	14	3
30 March 2016	15	1
27 May 2016	16	2

Table 8: Council Meetings

b) Executive Mayoral Committee

The Executive Mayor of the municipality, Cllr JZ Lolwana, assisted by the Mayoral Committee, heads the executive arm of the Municipality. The Executive Mayor is at the centre of the system of governance, since executive powers are vested in him to manage the day-to-day affairs. This means that he has an overarching strategic and political responsibility. The key element of the executive model is that executive power is vested in the Executive Mayor, delegated by the Council, as well as the powers assigned by legislation. Although accountable for the strategic direction and performance of the Municipality, the Executive Mayor operates in concert with the Mayoral Committee.

The name and portfolio of each member of the Mayoral Committee is listed in the table below for the period 1 July 2015 to 30 June 2016:

Name of Member	Meeting Dates
Cllr AT Sintu - Corporate Services Committee	25 August 2015
Cllr GL Nkumbi - Economic and Social Development Committee	30 March 2016
Cllr UR Ithumeleng - Finance Committee	27 May 2016

Table 9: Executive Mayoral Committee

c) Portfolio Committees

Portfolio Committees are permanent committees that specialise in a specific functional area of the municipality and may in some instances make decisions on specific functional issues. They advise the Mayoral Committee on policy matters and make recommendations to Council.

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The portfolio committees for the 2011/16 mayoral term and their chairpersons are as follow:

i) Financial Portfolio Committee

Name of Member	Meeting Dates
Clr U Itumeleng	25 August 2015 30 March 2016 27 May 2016
Clr D Jason	
Clr L van Niekerk	
Mr B James	

Table 10: Financial Portfolio Committee

ii) Economic and Social Development Standing Committee

Name of Member	Meeting Dates
Clr G Nkumbi	25 August 2015 30 March 2016 27 May 2016
Clr C Jantjies	
Clr P Bushula	
Mr E McKenzie	
Mr H Greeff	
Mr W Madyo	
Mr M Mfazwe	
Ms M Mukoma	
Mr F Novoyizana	

Table 11: Economic and Social Development Standing Committee

iii) Corporate Services Standing Committee

Name of Member	Meeting Dates
Clr A Sintu	25 August 2015 30 March 2016 27 May 2016
Clr M Bitterbos	
Clr W du Plessis	
Clr P Louw	
Mrs M Zwiegers	
Mr T Loko	
Mr S Foster	
Ms B Bosch	

Table 12: Corporate Services Standing Committee

iv) Rules Committee

Name of Member	Meeting Dates
Clr M Kibi (Speaker)	No meetings took place during the 2015/16 financial year
Clr U Itumeleng	

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Name of Member	Meeting Dates
Clr W du Plessis	
Clr L van Niekerk	
Mr T Loko	

Table 13: Rules Committee

v) Municipal Public Accounts Committee

Name of Member	Meeting Dates
Clr J Grobbelaar	11 September 2015 7 December 2015
Clr J George	
Clr A Fritz	
Clr N Thomas	
Clr F van Wyk	
Clr H de Villers	
Mr D Fourie	

Table 14: Municipal Public Accounts Committee

2.1.2 Administrative Governance Structure

The Administrative structure is outlined in the table below:

Name of Official	Department	Performance Agreement Signed
		(Yes/No)
R Pieterse	Municipal Manager	Yes
B James	Financial Services	Yes
T Loko	Corporate Services	Yes
H Greef	Infrastructure, Planning, Development & Housing	Yes

Table 15: Administrative Governance Structure

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.2 INTERGOVERNMENTAL RELATIONS

2.2.1 Intergovernmental Structures

In terms of the Constitution of South Africa, all spheres of government and all organs of state within each sphere must co-operate with one another in mutual trust and good faith fostering friendly relations. They must assist and support one another; inform and consult one another on matters of common interest; coordinate their actions, adhering to agreed procedures and avoid legal proceedings against one another.

To adhere to the principles of the Constitution as mentioned above the municipality participates in the following intergovernmental structures:

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Name of Structure	Members	Outcomes of Engagements/Topics Discussed
District IGR Forum	All Mayors, SALGA	General service delivery challenges affecting local communities, sharing of best-practice, etc. Seeks to improve on local service delivery. Provides report to PIGRF
District Aids and Health Forum	All Mayors, sector departments led by Department of Health, Civil Society, Office of the Premier	District health report, e.g. NHI, HIV/AIDS, status of health-facilities, etc. Seeks to enhance the delivery of health services in the district, comprehensive approach in dealing with HIV/AIDS, impact of poor health of communities on municipal service delivery. Provides report to Provincial Council on Aids
District Communication Forum	Pixley ka Seme DM, GCIS, sector departments, state-owned enterprises etc.	Improvement of government communication and messaging, alignment of government –programmes
Technical IGR Forum	All MM's, CFO's, Pixley Ka Seme DM senior managers and managers, regional heads of sector departments, private sector service providers, SOE's	Government service delivery challenges, including local government challenges, sharing best practice, presentations by service providers, etc. Seeks to provide technical advice and report to DIGRF
MM\CFO Forum	All MM's and CFO's	Technical financial matters and related challenges, e.g. MSCOA, budgeting, ESKOM, shared services, audit outcomes by AG

Table 16: Intergovernmental Structures

2.2.2 Joint Projects and Functions with Sector Departments



All the functions of government are divided between the different spheres namely National, Provincial and Local. The municipality therefore share their area and community with other spheres of government and their various sector departments and has to work closely with national and provincial departments to ensure the effective implementation of various projects and functions. The table below provides detail of such projects and functions:

Name of Project/ Function	Expected Outcome/s of the Project	Sector Department/s involved	Contribution of Sector Department
Acknowledgement of elderly in society	For the community to be concertized about the importance and role of elderly in society, as well as protection of elderly in society	Office of the Premier, Department of Social Development, Department of Education	Financial and related contributions, e.g. food-parcels, catering, blankets
Handing-over of learning-equipment at schools	To improve the learning-environment at previously disadvantaged schools in Ubuntu	Department of Economic Affairs and Tourism	Financial, as well as donation of school-uniforms, chairs and a projector

Table 17: Joint Projects and Functions With Section Departments

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

Section 16 of the MSA refers specifically to the development of a culture of community participation within municipalities. It states that a municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance. For this purpose, it must encourage and create conditions for the local community to participate in the affairs of the community. Such participation is required in terms of:

-  the preparation, implementation and review of the IDP;
-  establishment, implementation and review of the performance management system;

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- 🏛️ monitoring and review of the performance, including the outcomes and impact of such performance; and
- 🏛️ preparation of the municipal budget.

2.3 PUBLIC MEETINGS

Nature and purpose of meeting	Date of events	Number of Community members attending
Council Meeting the People	9 September 2015 (Prieska)	34
	21 September 2015 (Loxton)	118
	23 September 2015 (Campbell)	157
	27 January 2016 (Victoria West)	95
	2 March 2016 (Keurtjieskloof)	50
	4 March 2016 (Norvalspont)	67
	24 February 2016 (Carnarvon)	65
	10 March 2016 (Schmidtdrift)	95
	17 May 2016 (Hopetwon)	98
AG Outcomes (2014-2015)	13 September 2015 (Britstown)	108
	27 January 2016 (Victoria West)	95

Table 18: Joint projects and functions with Section departments

2.4 REPRESENTATIVE FORUMS

The tables below specify the members of the representative forums for the 2015/16 financial year:

2.4.1 Labour Forum

Name of Representative	Capacity	Meeting Dates
Clr M Kibi	Council Representative	9 November 2015 29 January 2016 23 May 2016
Clr L Nkumbi	Council Representative	
Clr R Itumeleng	Council Representative	
Clr T Sintu	Council Representative	
Mr TA Loko	Management Representative	
Mr P Demas	SAMWU (Trade Union)	
Mrs G Duthie	SAMWU (Trade Union)	
Miss T Mgca	SAMWU (Trade Union)	
Mr T Falata	SAMWU (Trade Union)	
Mr C Crament	IMATU (Trade Union)	
Mr S Ntamehlo	LLF Secretary	

Table 19: Labour Forum

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2.5.2 IDP Forum

Name of Representative/ Organisation Presenting	Capacity	Meeting Dates
Mr HP Greeff	Chairperson	9 October 2015 19 February 2016
Ms H Mapuleng	Secretary	
Mr G Mgcineni	Member	
Mr M Makenna	Member	
Mr S Dick	Member	
Mr J Claassen	Member	
Mr P Demas	Member	
Mr M Mukoma	Member	
Mr S Nkondeshe	Member	

Table 20: IDP Forum

2.5.3 District and Local AIDS Council

Name of Representative/ Organisation Presenting	Capacity	Meeting Dates
Emthanjeni - De Aar	DAC	18 August 2016
Siyathemba - Prieska	LACs	25 August 2016
Siyathemba - Prieska	LACs	26 August 2016
Kareeberg - Carnarvon	LACs	21 September 2015
Emthanjeni - De Aar	Civil Society Launch	23 September 2015
Siyancuma - Campbell	HIV/AIDS Awareness Programmes	6 October 2015
Ubuntu - Loxton	HIV/AIDS Awareness Programmes	3 November 2015
Siyathemba - Marydale	HIV/AIDS Awareness Programmes	10 December 2015
Siyancuma - Breipal in Douglas	World AIDS Day	9 February 2016
Umsobomvu - Noupoot	Candlelight Memorial	8 March 2016
Emthanjeni - De Aar	Civil Society meeting	13 April 2016
		15 May 2016
		23 May 2016

Table 21: District and Local AIDS Council

2.5 SHARED SERVICES

2.5.1 Planning



The Planning Section falls under the Infrastructure Development and Housing Department and is charged with the responsibility of planning for the district. This planning function is multidimensional focusing on spatial planning and integrated development planning for the district as a whole.

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2.5.2 Spatial Planning

Part B of Schedules 4 and 5 of the Constitution of the Republic of South Africa, Act 108 of 1996, places the function of town planning on local municipalities. However, taking the abilities of the local municipalities in consideration, Council has decided that Pixley ka Seme District Municipality should provide hands on support to all its local municipalities, in adherence to the prescripts of the Local Government: Municipal Structures Act, 117 of 1998.

Support was rendered in the following activities:

-  Processing of building plan applications in order for applicants to get building permits in time.
-  Assist local municipality with land development applications e.g. zoning, residential layout and removal of restrictions

During the year the following achievements were made in this field:

-  149 building applications were received of which 75 were approved and 74 not approved and referred back to the applicants.

The quality of the building plans remains a challenge for the section and is a major contributor to the non-approval of building plans.

2.5.3 Spatial Plan Land Use Management Act

SPLUMA came into effect from 1 July 2015 and since council has decided for the establishment of DMPT the planning unit was driving the process in order to establish the DMPT.

By-laws were formulated, adopted by the respective Councils and gazetted. The Memorandum of Understanding (MOU) was signed by all municipalities. Delegations and tariffs were adopted by the respective councils. District SPLUMA meetings were held in September, January and May during the year.

2.5.4 Integrated Development Planning

The Municipal Systems Act requires municipalities to review and adopt their IDPs annually to guide development within their areas of jurisdiction. In ensuring sustainable development, poverty eradication and a better life for all, the Pixley Ka Seme DM reviewed and adopted its IDP for the 2016/17 financial year in May 2016. The District must assist on proper municipal planning of these nine municipalities to ensure alignment and objective driven IDP's.

Achievement for 2015/16 was that all the IDP's were reviewed and final IDP's were adopted by the respective councils and submitted to the MEC of COGHSTA for further assessment.

Pixley ka Seme District Municipality (27/05/2016) Emthanjeni, Siyancuma, Siyathemba, Umsobomvu, Ubuntu, Kareeberg, Renosterberg and Thembelihle (31/05/2016).

The reviewed IDP is a strategic planning tool for addressing developmental challenges, the plan sets out some strategic agendas and focus for development and service delivery in years to come. The strategic development agendas are premised on five key performance areas as set out by the Department of Cooperative Governance, Human Settlements and Traditional Affairs. The said five key performance areas are basic service delivery, good governance and public participation, municipal institutional development and transformation, municipal financial viability and management and local economic development.

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COMPONENT D: CORPORATE GOVERNANCE

Corporate governance is the set of processes, practices, policies, laws and stakeholders affecting the way an institution is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the institution is governed.

2.6 RISK MANAGEMENT

In the absence of a dedicated Risk Management Unit, the Internal Audit Services Department assumed a co-ordinating role regarding the updating of the risk profile for the Municipality. The risk profile was also submitted to the Audit Committee.

The role of the service departments is to assist management in identification and review of risks in order to properly manage them. Risk management is an integral or natural part of the organisational processes and procedures. Risk management should be embedded in the organisation. It becomes an intrinsic part of business planning and decision making - there is no direction taken without looking at potential risks.

2.7 ANTI-CORRUPTION AND ANTI-FRAUD

Section 83(c) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption and the MFMA, Section 112(1)(m)(i) identify supply chain measures to be enforced to combat fraud and corruption, favouritism and unfair and irregular practices. Section 115(1) of the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimize the likelihood of corruption and fraud.

a) Developed Strategies

Name of Strategy	Developed Yes/No	Date Adopted
Anti-Corruption Strategy	Yes	March 2009 / 27 May 2013
Fraud Prevention Strategy	Yes	March 2009 / 27 May 2013




Table 1.: Strategies

2.8 AUDIT COMMITTEE AND PERFORMANCE AUDIT COMMITTEE

a) Functions of the Audit Committee

The Council decided that the Audit Committee will also act as the Performance Committee.

The Audit Committee have the following main functions as prescribed in Section 166(2)(a-e) of the MFMA, and the Local Government Municipal and Performance Management Regulation:

-  To advise the Council on all matters related to compliance and effective governance.
-  To review the annual financial statements to provide Council with an authoritative and credible view of the financial position of the municipality, its efficiency and its overall level of compliance with the MFMA, the annual DoRA and other applicable legislation.
-  Respond to Council on any issues raised by the Auditor-General in the Audit Report.

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- Carry out such investigations into the financial affairs of the municipality as Council may request.
- To review the quarterly reports submitted by internal audit.
- To evaluate audit reports pertaining to financial, administrative and technical systems.
- To evaluate the compliance to existing policies and relevant legislation.
- To review the performance management system and make recommendations in this regard to Council.
- To assess whether the performance indicators are sufficient.
- To determine possible reasons for discrepancies between performance and targets.
- To identify major risks to which Council is exposed and determine the extent to which risks have been minimized.
- To review the annual report of the Municipality.
- Investigating cases of fraud, misbehaviour and conflict of interest involving employees.
- Review the plans of the Internal Audit Unit and, in so doing, ensure that the plan addresses the high-risk areas and ensure that adequate resources are available.
- Review audit results and action plans implemented by management.
- Provide support to the Internal Audit Unit.
- Ensure that no restrictions or limitations are placed on the Internal Audit Unit.

b) *Members of the Audit Committee*

Name of Representative
T Hawker
N Verdoes
A Matthee

Table 22: Members of the Audit Committee

2.9 INTERNAL AUDITING

Section 165(2)(a), (b)(iv) of the MFMA requires that:

The internal audit unit of a municipality must –

- (a) prepare a risk based audit plan and an internal audit program for each financial year; and
- (b) advise the accounting officer and report to the audit committee on the implementation on the internal audit plan and matters relating to risk and risk management.

The municipality has an in-house Internal Audit function consisting of four auditors, four internal audit clerks, one Senior Internal Auditor and one Manager.

2.9.1 Annual Audit Plan

Below are the functions of the Internal Audit Unit that was performed during the financial year under review:

Function	Date/Number
Quarterly Audits	32

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Function	Date/Number
Audit committee meetings	16
Adhoc assignments	4
Quality Assurance Programme	1

Table 23: Functions of Internal Audit

2.10 AUDITOR-GENERAL

The Municipality is audited by the Auditor-General of South Africa in terms of Section 188 of the Constitution and Section 4 of the Public Audit Act and Section 126 of the MFMA. The audit report for the financial year under review is in Annexure B of this report.

2.11 BY-LAWS AND POLICIES

Section 11 of the MSA gives Council the executive and legislative authority to implement by-laws and policies. No By-Laws were developed or revised during the year.

Below is a list of all the policies developed and reviewed during the financial year:

Policies Developed/ Revised	Date Adopted	Public Participation Conducted Prior to Adoption of Policy Yes/No
Municipal Health Tariffs	28 May 2015 (Reviewed)	Yes – March 2015
Air Quality Management Plan	28 May 2015 (Reviewed)	No

Table 24: Policies Developed

2.12 COMMUNICATION

Local government has a legal obligation and a political responsibility to ensure regular and effective communication with the community. The Constitution of the Republic of South Africa, 1996 and other statutory enactments all impose an obligation on local government and require high levels of transparency, accountability, openness, participatory democracy and direct communication with the communities to improve the lives of all.

Good customer care is clearly of fundamental importance to any organisation. A successful communication strategy therefore links the people to the municipality's programme for the year.

Below is a communication checklist of the compliance to the communication requirements:

2.12.1 Communication Activities

Communication Activities	Yes/No	Date Approved/Completed
Communication Strategy	Yes	November 2009
Communication Policy	No	N/A
Functional complaint management systems	Yes, toll-free installed, 0800	February 2015
Customer satisfaction surveys	No, in process to be finalised	N/A

Table 25: Communication Activities

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2.12.2 Communication Unit:

Communication Unit	Yes/No	Number of People in the Unit	Job Titles
	Yes	4 positions, but only 1 filled.	Manager Communications Researchers (2), Field Worker (1)

Table 26: Communication Unit

2.12.3 Newsletters

Type of Newsletter	Number Distributed	Circulation Number
Internal	6 000	N/A

Table 27: Newsletters Distributed

2.12.4 Awareness Campaigns

Topic	Description	Dates	Target Groups	Number of People Reached
HIV/AIDS	Meetings with civil society and stakeholders, which included the sex workers.	19 August 2015	Sex workers and civil society	35
HIV/AIDS	Door-to-door visits and distribution of condoms, community meeting. Sector departments participated, e.g. Health, Education.	21 September 2015	Entire community and youth of Loxton.	150

Table 28: Awareness Campaigns

2.13 WEBSITE

Municipalities are required to develop and maintain a functional website that displays relevant information as per the requirements of Section 75 of the MFMA and Section 21A and B of the Municipal Systems Act ("MSA") as amended.

The website should serve as a mechanism to promote accountability and transparency to communities and therefore information posted should be accurate and timeously updated.

The municipal website is a key communication mechanism in terms of service offering, information sharing and public participation. It is a communication tool that should allow easy and convenient access to relevant information. The municipal website should serve as an integral part of the municipality's communication strategy.

The table below gives an indication about the information and documents that are published on our website:

Description of information and/or document	Yes/No and/or Date Published
Municipal contact details (Section 14 of the Promotion of Access to Information Act)	
Full Council details	No
Contact details of the Municipal Manager	No

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Description of information and/or document	Yes/No and/or Date Published
Contact details of the CFO	No
Physical address of the Municipality	Yes
Postal address of the Municipality	Yes
Financial Information (Sections 53, 75, 79 and 81(1) of the Municipal Finance Management Act)	
Draft Budget 2015/16	Yes
Adjusted Budget 2015/16	Yes
Asset Management Policy	Yes
Customer Care, Credit control & Debt collection Policy	Yes
Indigent Policy	No
Funds and Reserves Policy	No
Investment & Cash Management Policy	Yes
Rates Policy	No
Supply Chain Management Policy	Yes
Tariff Policy	Yes
Virement Policy	No
Petty Cash Policy	No
Travel and Subsistence Policy	Yes
Long Term Financial Policy	No
Grants-In-Aid Policy	No
Borrowing Policy	Yes
SDBIP 2015/16	Yes
Budget and Treasury Office Structure	Yes
Budget and Treasury Office delegations	Yes
Delegations	Yes
Integrated Development Plan and Public Participation (Section 25(4)(b) of the Municipal Systems Act and Section 21(1)(b) of the Municipal Finance Management Act)	
Reviewed IDP for 2015/16	Yes
IDP Process Plan for 2015/16	No
Supply Chain Management (Sections 14(2), 33, 37 & 75(1)(e) & (f) and 120(6)(b) of the Municipal Finance Management Act and Section 18(a) of the National SCM Regulation)	
List of capital assets that have been disposed	No
Long Term borrowing contracts	Yes
SCM contracts above R30 000	Yes
Contracts which impose a financial obligation on the municipality beyond 3 years	Yes
Public-Private Partnership agreement	Yes
Service delivery agreements	Yes
Public invitations for formal price quotations	Yes
Reports (Sections 52(d), 71, 72 & 75(1)(c) and 129(3) of the Municipal Finance Management Act)	
Annual Report of 2014/15	Yes

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Description of information and/or document	Yes/No and/or Date Published
Oversight reports	No
Mid-year budget and performance assessment	No
Quarterly Reports	No
Monthly Budget Statement	No
Local Economic Development (Section 26(c) of the Municipal Systems Act)	
Local Economic Development Strategy	No
LED Policy Framework	No
Economic Profile	No
LED Projects	No
Performance Management (Section 75(1)(d) of the Municipal Finance Management Act)	
Performance Agreements for employees appointed as per S57 of Municipal Systems Act	Yes
Assurance Functions (Sections 62(1), 165 & 166 of the Municipal Finance Management Act)	
Internal Audit charter	No
Audit Committee charter	No
Risk Management Policy	Yes
Municipal Finance Management Internship Programme (Schedule 5B Vote 10(b) of the Division of Revenue Act)	
Internship Programme Policy	No
Internship Programme Framework	No

Table 29: Website Checklist

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

CHAPTER 3

3.1 OVERVIEW OF PERFORMANCE WITHIN THE ORGANISATION

Performance management is a process which measures the implementation of the organisation's strategy. It is also a management tool to plan, monitor, measure and review performance indicators to ensure efficiency, effectiveness and the impact of service delivery by the municipality.

At local government level performance management is institutionalized through the legislative requirements on the performance management process for local government. Performance management provides the mechanism to measure whether targets to meet its strategic goals, set by the organisation and its employees, are met.

The constitution of S.A (1996), Section 152, dealing with the objectives of local government paves the way for performance management with the requirements for an "accountable government". The democratic values and principles in terms of Section 195 (1) are also linked with the concept of performance management, with reference to the principles of inter alia:

- the promotion of efficient, economic and effective use of resources,
- accountable public administration
- to be transparent by providing information,
- to be responsive to the needs of the community,
- and to facilitate a culture of public service and accountability amongst staff.

The Municipal Systems Act (MSA), 2000 requires municipalities to establish a performance management system. Further, the MSA and the Municipal Finance Management Act (MFMA) requires the Integrated Development Plan (IDP) to be aligned to the municipal budget and to be monitored for the performance of the budget via the service delivery and the budget implementation plan (SDBIP).

Regulation 7(1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that "A Municipality's Performance Management System entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players." Performance management is not only relevant to the organisation as a whole, but also to the individuals employed in the organization as well as the external service providers and municipal entities. This framework, inter alia, reflects the linkage between the IDP, budget, SDBIP and individual and service provider performance.

Council approved and adopted a Performance Management Framework on 12 December 2008. The Municipality reviewed the framework which was approved by Council on 27 March 2016.

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3.1.1 Legislative Requirements

In terms of Section 46(1)(a) of the MSA a municipality must prepare for each financial year a performance report reflecting the municipality's and any service provider's performance during the financial year, including comparison with targets of and with performance in the previous financial year. The report must, furthermore, indicate the development and service delivery priorities and the performance targets set by the municipality for the following financial year and measures that were or are to be taken to improve performance.

3.1.2 Organisation Performance

Strategic performance indicates how well the municipality meet its objectives and which policies and processes are working. All government institutions must report on strategic performance to ensure that service delivery is efficient, effective and economical. Municipalities must develop strategic plans and allocate resources for the implementation. The implementation must be monitored on an ongoing basis and the results must be reported on during the financial year to various role-players to enable them to timeously implement corrective measures where required.

This report highlights the strategic performance in terms of the municipality's Top Layer SDBIP per strategic objective and the National Key Performance Indicators prescribed in terms of Section 43 of the MSA.

3.1.3 The Performance System Followed For 2015/16

a) *The IDP and the budget*

The reviewed IDP and budget for 2015/16 was approved by Council on 26 May 2015.





b) *The Service Delivery Budget Implementation Plan*

The organisational performance is evaluated by means of a municipal scorecard (Top Layer SDBIP) at organisational level and at directorate levels.

The SDBIP is a plan that converts the IDP and budget into measurable criteria on how, where and when the strategies, objectives and normal business process of the municipality is implemented. It also allocates responsibility to directorates to deliver the services in terms of the IDP and budget.

The Top Layer SDBIP was approved by the Executive Mayor on 15 June 2015.

The Top Layer SDBIP was revised with the adjustments budget in terms of Section 26 (2)(c) of the Municipal Budget and Reporting Regulations and approved by the Council on 30 March 2016. The following were considered in the development of the amended Top Layer SDBIP:


-  Areas to be addressed and root causes of the Auditor-General management letter, as well as the risks identified during the 2014/15 audit
-  Alignment with the IDP, National KPA's, Municipal KPA's and IDP objectives
-  Alignment with the adjustments budget
-  Oversight Committee Report on the Annual Report of 2014/15

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 The risks identified by the Internal Auditor during the municipal risk analysis.

c) *Actual performance*

The municipality utilizes a manual excel spreadsheet on which KPI owners update actual performance on a monthly basis. KPI owners report on the results of the KPI's by documenting the following information:

 The actual result in terms of the target set

 A performance comment

 Actions to improve the performance against the target set, if the target was not achieved.

It is the responsibility of every KPI owner to maintain a portfolio of evidence to support actual performance results updated.

3.2 SERVICE DELIVERY PERFORMANCE

This Section provides an overview of the key service achievements of the municipality that came to fruition during 2015/16 in terms of the deliverables achieved compared to the key performance objectives and indicators in the IDP. It furthermore, includes an overview on achievement in 2015/16 compared to actual performance in 2014/15.

3.2.1 Strategic Service Delivery Budget Implementation Plan (Top Layer)

The purpose of strategic performance reporting is to report specifically on the implementation and achievement of IDP outcomes. This Section provides an overview on the strategic achievement of a municipality in terms of the strategic intent and deliverables achieved as stated in the IDP. The Top Layer (strategic) SDBIP is the municipality's strategic plan and shows the strategic alignment between the different documents. (IDP, budget and performance agreements).

In the paragraphs below the performance achieved is illustrated against the Top Layer SDBIP according to their Strategic Objectives and the National Key Performance Areas (KPA's).

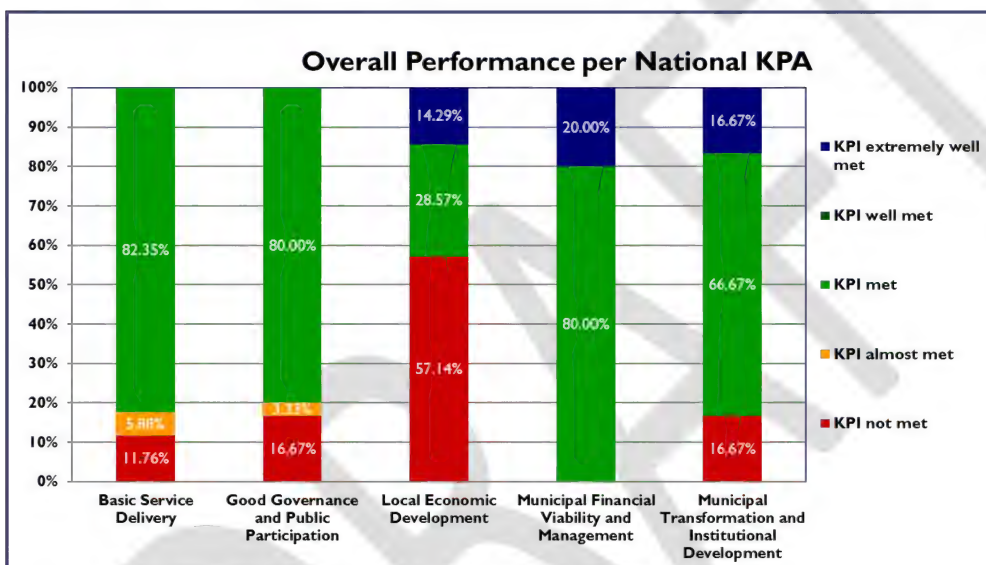
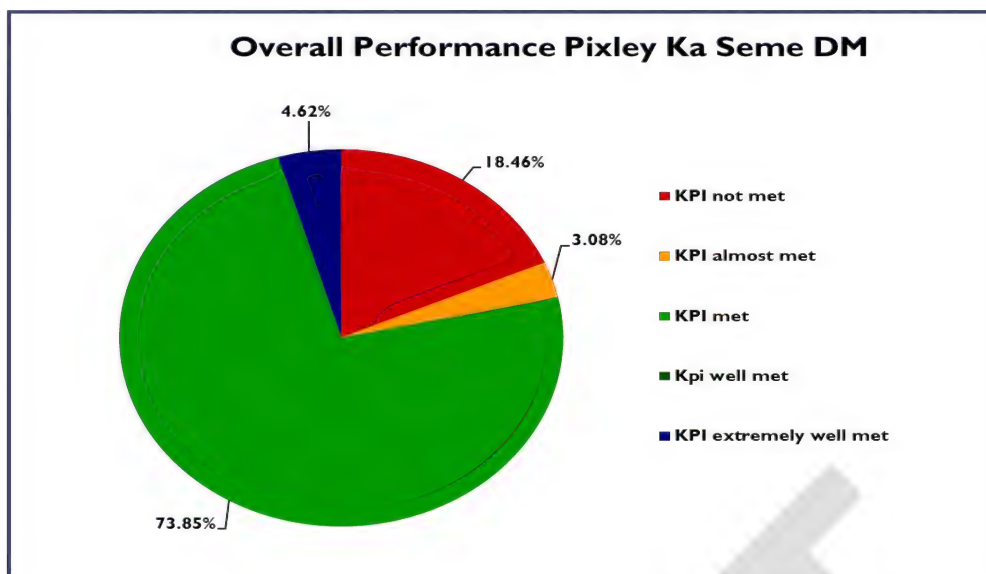
The following table explains the method by which the overall assessment of actual performance against targets set for the key performance indicators (KPI's) of the SDBIP is measured:

Category	Colour	Explanation
KPI Not Yet Measured	N/A	KPI's with no targets or actuals in the selected period
KPI Not Met	R	0% > = Actual/Target < 75%
KPI Almost Met	O	75% > = Actual/Target < 100%
KPI Met	G	Actual/Target = 100%
KPI Well Met	G2	100% > Actual/Target < 150%
KPI Extremely Well Met	B	Actual/Target > = 150%

Figure 1 SDBIP Measurement Categories

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The graph below displays the overall performance per National KPA for 2015/16:



Graph 1: Overall Strategic performance per National KPA

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The following tables display the performance of the Top Layer SDBIP for 2015/16 per strategic objective:

- a) *Always ensure quality assurance in the work and conduct of the Internal Auditors as required by the Standard for the Professional Practice of Internal Auditing.*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						Actual Performance	
				Targets							
				Q1	Q2	Q3	Q4	Annual			
TL37	Compile an internal quality assurance review	Reviewed Internal quality assurance report.	Good Governance and Public Participation	1	0	0	0	1	1	G	
*Please note: The municipality has no wards because it is a district municipality											

Table 30: Top Layer SDBIP – Always ensure quality assurance in the work and conduct of the Internal Auditors as required by the Standard for the Professional Practice of Internal Auditing.

- b) *Ameliorate the strain on DM resources by engaging the political leadership of the local municipalities in the non-payment of subscriptions to DM in an effort of ensuring that they buy into the process and at the same time ensure that they hold the administration accountable for the subscriptions*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						Actual Performance	
				Targets							
				Q1	Q2	Q3	Q4	Annual			
TL14	Hold meetings with the local municipalities on the non-payment of subscriptions	Number of meetings with Mayors and Municipal Managers.	Municipal Financial Viability and Management	1	1	1	1	4	4	G	
*Please note: The municipality has no wards because it is a district municipality											

Table 31: Top Layer SDBIP – Ameliorate the strain on DM resources by engaging the political leadership of the local municipalities in the non-payment of subscriptions to DM in an effort of ensuring that they buy into the process and at the same time ensure that they hold the administration accountable for the subscriptions

- c) *District Council to Review of the organizational structure and recruit competent candidates in critical positions*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL16	District to fill the number of budgeted post as per approved staff establishment	Approved and funded Organizational structure aligned with the IDP and Budget. Number of post filled as per approved funded staff establishment	Municipal Transformation and Institutional Development	0%	0%	0%	100%	100%	100%	G
*Please note: The municipality has no wards because it is a district municipality										

Table 32: Top Layer SDBIP – District Council to Review of the organizational structure and recruit competent candidates in critical positions

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- d) District must ensure that the Section 79 and 80 committees are functional and that are monitoring mechanism in place.

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL72	MPAC to report quarterly to council.	4 x MPAC reports with recommendations submitted to Council	Good Governance and Public Participation	I	I	I	I	4	4	G
TL73	Conduct quarterly MPAC meetings.	Four quarterly MPACs meetings held	Good Governance and Public Participation	I	I	I	I	4	4	G
TL74	Convene Ethics committee meetings and present recommendations to council.	Ethics/Rules committee meetings and recommendations presented	Good Governance and Public Participation	I	I	I	I	4	0	R
Corrective Measure		No quorum for meetings. Proper planning will ensure meetings will take place within the next financial year								
*Please note: The municipality has no wards because it is a district municipality										

Table 33: Top Layer SDBIP – District must ensure that the Section 79 and 80 committees are functional and that are monitoring mechanism in place.

- e) District to ensure full compliance with municipal Supply Chain Regulations and Policy

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL2	Establish a fully functional Supply Chain Management Unit	SCM Unit fully establish by June 2016	Municipal Financial Viability and Management	0	0	0	I	I	I	G
TL3	Strict compliance with the Supply Chain Management Policy	Strict compliance with the Supply Chain Management Policy	Municipal Financial Viability and Management	100%	100%	100%	100%	100%	100%	G
*Please note: The municipality has no wards because it is a district municipality										

Table 34: Top Layer SDBIP – District to ensure full compliance with municipal Supply Chain Regulations and Policy

- f) District to ensure that it submit GAMAP/GRAP compliant financial statements

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL4	Submission of the GAMAP/GRAP Financial statements by the end of August 2015 and Sect 46 report.	Submission of annual financial statements within the prescribed timeframe.	Municipal Financial Viability and Management	I	0	0	0	I	I	G
*Please note: The municipality has no wards because it is a district municipality										

Table 35: Top Layer SDBIP – District to ensure that it submit GAMAP/GRAP compliant financial statements.

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- g) Engage in a process of business development and or growth that will ensure that the SCM issues are able to promote an effective business environment and at the same time increase the business confidence in the area

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL5I	On funds allocated, the municipality needs to appoint and Developed SMME as part of business development.	Report on the number of appointed and developed SMME's against the allocated funds.	Local Economic Development	1	1	1	1	4	4	G
*Please note: The municipality has no wards because it is a district municipality										

Table 36: Top Layer SDBIP – Engage in a process of business development and or growth that will ensure that the SCM issues are able to promote an effective business environment and at the same time increase the business confidence in the area

- h) Engage the office of the Auditor General on exceptions and exclusions in order to address the shortcomings in the SCM process and report to council regularly on the measures put in place and at the same time ensure that the DM achieves a favourable audit outcome

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL6	Convene a district CFOs forum to highlight audit issues related to SCM and other issues	Quarterly CFO Forum minutes and attendance registers.	Good Governance and Public Participation	1	1	1	1	4	4	G
TL7	Engage communities on Audit issues in an effort to restore public confidence	Two Community meetings per annum. Meeting minutes and attendance register as proof.	Good Governance and Public Participation	0	1	0	1	2	2	G
*Please note: The municipality has no wards because it is a district municipality										

Table 37: Top Layer SDBIP – Engage the office of the Auditor General on exceptions and exclusions in order to address the shortcomings in the SCM process and report to council regularly on the measures put in place and at the same time ensure that the DM achieves a favourable audit outcome

- i) Ensure Performance Management System is operational and fully compliant

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL17	Review the PMS Policy Framework to guide the process.	PMS Policy framework reviewed and adopted by council.	Good Governance and Public Participation	0	0	1	0	1	1	G
TL18	The IDP and Strategic Planning formed the corner stone in the development of PMS Objectives, for signing of	Strategic Planning session conducted in preparation for new financial year.	Good Governance and Public Participation	0	1	0	0	1	1	G

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Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
	Performance Agreements that are link to the budget.									
TL28	Ensuring quarterly performance evaluation is conducted and report annually to council, MEC for COGHSTA.	4 X Quarterly review reports.	Good Governance and Public Participation	1	1	1	1	4	4	G
TL29	Ensuring quarterly performance evaluation is conducted and report annually to council, MEC for COGHSTA	Annual Section 46 report adopted and submitted to MEC	Good Governance and Public Participation	0	0	1	0	1	1	G
TL30	Ensure that approved SDBIP are aligned to IDP and Budget	Approved SDBIP aligned and quarterly report submitted to council.	Good Governance and Public Participation	1	1	1	1	4	4	G
*Please note: The municipality has no wards because it is a district municipality										

Table 38: Top Layer SDBIP – Ensure Performance Management System is operational and fully compliant

j) Ensure that municipalities adhere to the SALGBC Organizational rights agreement

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL19	Convene at least 10 local labour forum meetings per annum.	Minimum of 10 x Local labour forum meetings, minutes and attendance register in line with the ORA.	Municipal Transformation and Institutional Development	3	2	2	3	10	4	R
Corrective Measure		There were no employer representatives to hold the meetings because of the Local Government Elections commitments. The Municipality has already planned the dates for the next financial year and it will be distributed to all the relevant role players.								
*Please note: The municipality has no wards because it is a district municipality										

Table 39: Top Layer SDBIP – Ensure that municipalities adhere to the SALGBC Organizational rights agreement

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- k) *Ensure that the communities in the district become self- sustainable through the active promotion of economic livelihoods*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL55	Assist Local Municipalities in the development of 5-year Investment Retention and Attraction Strategy/plan	Assist local municipalities the development of a generic 5-year Investment Retention and Attraction Strategy/plan	Local Economic Development	0	0	0	I	I	0	R
Corrective Measure		No plan was submitted. The Municipality will try to submit the plan within the next financial year.								
*Please note: The municipality has no wards because it is a district municipality										

Table 40: Top Layer SDBIP – Ensure that the communities in the district become self- sustainable through the active promotion of economic livelihoods.

- l) *Ensure that the District maintain municipal Good Governance*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL9	Improve on Audit outcome	Financially unqualified audit opinion	Good Governance and Public Participation	0	I	0	0	I	I	G
TL10	Adoption of Oversight report of Annual report	Oversight report adopted by council by 31 March (Section 129 of MFMA)	Good Governance and Public Participation	0	0	I	0	I	I	G
TL20	Submission of Annual Report	Annual report submitted to council by 31 January (Section 121 of MFMA)	Good Governance and Public Participation	0	0	I	0	I	I	G
*Please note: The municipality has no wards because it is a district municipality										

Table 41: Top Layer SDBIP – Ensure that the District maintain municipal Good Governance

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- m) *Ensuring all municipalities within the district does have an Indigent policy in place and adopted by council*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL22	Assist municipalities to ensure that there is 95% of all indigent households have access to free basic electricity.	Report on Development of a draft generic indigent policy for all local municipalities in the district.	Basic Service Delivery	0	0	0	1	1	0	R
Corrective Measure		All local municipalities already have an indigent policy.								
*Please note: The municipality has no wards because it is a district municipality										

Table 42: Top Layer SDBIP – Ensuring all municipalities within the district does have an Indigent policy in place and adopted by council

- n) *Human resource and legal services*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL23	Assist municipalities with litigation and drafting of contracts.	Quarterly Reports on Response to litigation and legal documents within 14 days after receipt	Good Governance and Public Participation	1	1	1	1	4	4	G
TL32	Give credible and incisive legal advice to all municipalities in the district.	Quarterly reports on Written advice to municipalities within 7 days after receipt	Good Governance and Public Participation	100%	100%	100%	100%	100%	100%	G
*Please note: The municipality has no wards because it is a district municipality										

Table 43: Top Layer SDBIP – Human resource and legal services

- o) *Implementation of the Municipal Health 2010 Implementation Plan*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL33	Recruitment 3 extra EH Practitioners to improve the quality of municipal health service.	Appointment of 3 EHP by 30 June 2016	Basic Service Delivery	0	0	0	3	3	3	G
TL77	Effective and efficient water monitoring through water sampling, water analysis.	Quarterly progress reports	Basic Service Delivery	1	1	1	1	4	4	G
TL78	Monitor all government premises and private entities in terms of their Health safety & hygiene by monthly routine inspection	Quarterly reports on targets achieved	Basic Service Delivery	1	1	1	1	4	4	G

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Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL80	Inspection of funeral Undertakers to determine compliance requirements to legislation governing Funeral undertakers.	Quarterly reports on targets achieved	Basic Service Delivery	I	I	I	I	4	4	G
TL81	To monitor waste collection, transportation and proper disposal of waste by	Quarterly report on landfill sites inspected	Basic Service Delivery	I	I	I	I	4	4	G
TL82	To ensure the control Food Safety Management	Quarterly reports on food premises inspected,	Basic Service Delivery	I	I	I	I	4	4	G
TL83	To conduct chemical poisoning investigations on premises	Quarterly report on total number of premises inspected.	Basic Service Delivery	I	I	I	I	4	4	G
*Please note: The municipality has no wards because it is a district municipality										

Table 44: Top Layer SDBIP – Implementation of the Municipal Health 2010 Implementation Plan

- p) *Improve the district planning capacity in an effort to ensure that district Influences the local municipal budgeting process in an effort to ensure uniform results and minimal competition for resources*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL11	Budget for municipal support based on the support programme	Budget for municipal support	Good Governance and Public Participation	0	0	I	0	I	I	G
TL13	Reporting on the implementation of the support programme budget.	Progress reports quarterly.	Municipal Financial Viability and Management	I	I	I	I	4	12	B
*Please note: The municipality has no wards because it is a district municipality										

Table 45: Top Layer SDBIP – Improve the district planning capacity in an effort to ensure that district Influences the local municipal budgeting process in an effort to ensure uniform results and minimal competition for resources.

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- q) *Improve the small business support strategy to emerging businesses in the area for improved social cohesion*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL56	Developed strategy for small business and cooperatives support.	Strategy developed and adopted by council.	Local Economic Development	0	0	0	1	1	0	R
Corrective Measure		No strategy developed. It is not financially viable for SMME's to participate in the development of the strategy as they need to close their business and travel far to attend the meetings. Alternative methods will be looked at to accommodate SMME input.								
*Please note: The municipality has no wards because it is a district municipality										

Table 46: Top Layer SDBIP – Improve the small business support strategy to emerging businesses in the area for improved social cohesion

- r) *Support the District and locals with Internal Audit function in order to improve on audit outcome*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL39	24 Audit Committee meetings to take place	6 Audit Committee meeting minutes, agenda and attendance register.	Good Governance and Public Participation	6	6	6	6	24	17	R
Corrective Measure		No Audit Committee in place at Ubuntu-, Thembelihle- and Kareeberg Municipalities. Recommendation made to Ubuntu Municipality to make use of the District Municipality's Audit Committee. Proposed dates will be provided to all municipalities to ensure timeous planning of meetings.								
TL40	At least execute 36 quarterly internal audits in all 6 local municipalities.	6 quarterly Audit reports.	Good Governance and Public Participation	9	9	9	9	36	32	O
Corrective Measure		Services were suspended to Ubuntu- and Renosterberg Municipality for non-payment. Proposals for payment schedules has been communicated with all local municipalities.								
*Please note: The municipality has no wards because it is a district municipality										

Table 47: Top Layer SDBIP – Support the District and locals with Internal Audit function in order to improve on audit outcome.

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- s) *That the District Municipality align themselves to assist local municipalities in professionally implement projects in terms of all the grant prescriptions*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL41	The District to assist locals on implementation of all projects which are grant prescribed (EPWP, MIG & Housing).	Quarterly progress report including expenditure reports of each project be availed quarterly and be table to the IDH committee.	Basic Service Delivery	1	1	1	1	4	3	O
Corrective Measure		No meeting took place for the second quarter. Proper planning will ensure meeting will be accommodated within the next second quarter.								
*Please note: The municipality has no wards because it is a district municipality										

Table 48: Top Layer SDBIP – That the District Municipality align themselves to assist local municipalities in professionally implement projects in terms of all the grant prescriptions

- t) *The District Municipality as the accredited Housing authority assist the local municipalities to participate in the upgrading of informal settlement even if not part of the 45 priority municipalities*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL42	That the district facilitates the process of participation of the 8 local municipalities in the upgrading of informal settlements by reporting on the needs of the municipalities and assists them with supporting applications. The municipality must submit 1 application	DM on request from local municipalities, draft one Housing Business Plan per municipal for all 7 local municipalities per financial year.	Basic Service Delivery	0	3	0	4	7	5	R
Corrective Measure		5 business plans drafted for the 2015-16 financial year. Umsobomvu -and Thembelihe Local Municipalities already had business plans drafted.								
*Please note: The municipality has no wards because it is a district municipality										

Table 49: Top Layer SDBIP – The District Municipality as the accredited Housing authority assist the local municipalities to participate in the upgrading of informal settlement even if not part of the 45 priority municipalities

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- u) *The District Municipality should facilitate and assist the local municipalities in developing a ward committee system that will ensure a people-centered approach to governance and development in each of the local municipalities*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL61	That the District Municipality develops a program to assist the local Municipalities in developing a tailor-made ward commit functioning system for the municipalities	Quarterly reports on the implementation of assistance provided to local municipalities for the development of ward operational plans, ward com- mite policies. Joint Program with COGHSTA.	Good Governance and Public Participation	1	1	1	1	4	4	G
*Please note: The municipality has no wards because it is a district municipality										

Table 50: Top Layer SDBIP – The District Municipality should facilitate and assist the local municipalities in developing a ward committee system that will ensure a people-centered approach to governance and development in each of the local municipalities

- v) *The District Municipality should re-structure their policies to include the opportunity for learner ships to form part of their operations*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL24	Include the number of learner ships in the skills development strategy of the District Municipality	Number of Internships and learner ship opportunities created	Municipal Transformation and Institutional Development	0	0	0	5	5	14	B
*Please note: The municipality has no wards because it is a district municipality										

Table 51: Top Layer SDBIP – The District Municipality should re-structure their policies to include the opportunity for learner ships to form part of their operations

- w) *The District Municipality should through various interventions such as infrastructure and private/business sector projects create jobs.*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						Actual Performance	
				Targets							
				Q1	Q2	Q3	Q4	Annual			
TL57	Create jobs through EPWP, CWP and Renewable energy projects.	Number of work opportunities created through EPWP, Green Economy projects ETC.	Local Economic Development	0	0	0	30	30	182	B	
TL58	Ensure the implementation of the RRAMS programme.	Road condition data and programme implementation report	Local Economic Development	0	0	0	1	1	0	R	

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Ref	Strategy	KPI	National KPA	Overall Performance 2015/16					
				Targets					Actual Performance
				Q1	Q2	Q3	Q4	Annual	
Corrective Measure		No report submitted by 30 June 2016. Report to be submitted by 31 August 2016.							
*Please note: The municipality has no wards because it is a district municipality									

Table 52: Top Layer SDBIP – The District Municipality should through various interventions such as infrastructure and private/business sector projects create jobs.

x) **The District Municipality to assist local municipalities in ensuring with the implementation of an Integrated Capacity Building Plan.**

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL34	District municipality to ensure that all local municipalities do have approved Workplace Skills Plans.	Report on assistance and support provided to local municipalities in order to achieve 9X Approved Workplace Skills Plan informed by the skills audit	Municipal Transformation and Institutional Development	0	0	0	9	9	9	G
TL35	Capacity building informed by Workplace Skills Plan (WSP)	Report on Number of Officials capacitated against staff establishment and number of Councillors trained.	Municipal Transformation and Institutional Development	0	0	0	1	1	1	G
TL36	Report on the workplace skills plan submitted to LGSETA annually	Workplace skills plan submitted to LGSETA by 30 April annually	Municipal Transformation and Institutional Development	0	0	0	1	1	1	G
*Please note: The municipality has no wards because it is a district municipality										

Table 53: Top Layer SDBIP – The District Municipality to assist local municipalities in ensuring with the implementation of an Integrated Capacity Building Plan.

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- y) *The District Municipality to ensure that the LED Strategy are aligned to the National and Provincial LED Strategy/Framework*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL59	To review the District LED	Reviewed LED Strategy	Local Economic Development	0	0	0	I	I	0	R
Corrective Measure		Unit has no internal capacity to review LED strategy, and no budget to appoint Service Provider to review LED Strategy. Invitations were sent to enterprises inviting them to a meeting with the objective to form PPP agreement in reviewing the LED strategy. Letters were also sent to these enterprises.								
*Please note: The municipality has no wards because it is a district municipality										

Table 54: Top Layer SDBIP – The District Municipality to ensure that the LED Strategy are aligned to the National and Provincial LED Strategy/Framework

- z) *The district must ensure that the infrastructure development in the different local municipalities is properly facilitated with local role-players and as a housing agent that local Municipalities is more involved in the planning and implementation of the projects and programmes*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL43	That the district Municipality create forums and platforms within which the local municipalities can participate with regard to the planning and implementation of the infrastructure and housing programmes within which the district is assisting local municipalities	That the District set up forum for the Local Municipalities to participate in planning and implementation of programmes and project in specific localities. Quarterly reports.	Basic Service Delivery	I	I	I	I	I	I	G
*Please note: The municipality has no wards because it is a district municipality										

Table 55: Top Layer SDBIP – The district must ensure that the infrastructure development in the different local municipalities is properly facilitated with local role-players and as a housing agent that local Municipalities is more involved in the planning and implementation of the projects and programmes

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- aa) *The District must facilitate and assist local municipalities in simplifying their IDP documents to make the Documents more user friendly*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL79	That the District Municipality facilitate and assist the local municipalities in simplifying their IDPs	IDPs developed and adopted by council in line with the MSA and IDP revised framework, 1 X Planning meeting per Municipality. A total of 9 x Credible IDP'S.	Good Governance and Public Participation	0	0	0	1	1	1	G
*Please note: The municipality has no wards because it is a district municipality										

Table 56: Top Layer SDBIP – The District must facilitate and assist local municipalities in simplifying their IDP documents to make the Documents more user friendly

- ab) *The District should assist local municipalities in capacitating and training ward committees*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL62	That the District Municipality facilitate assist municipalities in the capacitating and training of Ward Committees	Training report on capacity development for Ward committees	Good Governance and Public Participation	0	0	0	1	1	1	G
*Please note: The municipality has no wards because it is a district municipality										

Table 57: Top Layer SDBIP – The District should assist local municipalities in capacitating and training ward committees

- ac) *The District to assist municipalities with the establishment of a Municipal Planning Tribunal and adoption of the By-laws and the Spatial Planning and Land Use Management Act (SPLUMA) to promote others equitable and efficient development/planning of human settlements.*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL44	The District and the local municipalities establish DMPT and adopt the by-laws and SPLUMA by 31 December 2015.	Quarterly Reports on SPLUMA By-laws adopted and progress of implementation.	Basic Service Delivery	1	1	1	1	4	4	G
*Please note: The municipality has no wards because it is a district municipality										

Table 58: Top Layer SDBIP – The district to assist municipalities with the establishment of a municipal planning tribunal and adoption of the by-laws and the spatial planning and land use management act (SPLUMA) to promote others equitable and efficient development/planning of human settlements.

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ad) To consolidate grants and maximising expenditure patterns in municipalities

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL46	That the District Municipality align themselves to assist local municipalities in professionally implement project in terms of all the grant prescriptions	Report on assistance provided in terms of project management	Basic Service Delivery	0	0	0	I	I	I	G
*Please note: The municipality has no wards because it is a district municipality										

Table 59: Top Layer SDBIP – To consolidate grants and maximising expenditure patterns in municipalities

ae) To effectively engage in the PIGF and other related fora in order to ensure that there are improved relations and better compliance across the various spheres of government

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						Actual Performance	
				Targets							
				Q1	Q2	Q3	Q4	Annual			
TL75	Coordination of IGR & Technical IGR as a legislation requirement on governance	Attendance of Quarterly PIGR meetings	Good Governance and Public Participation	I	I	I	I	4	2	R	
Corrective Measure		2 other meetings were cancelled during the financial year by the Office of the Premier. KPI to be deleted within the next financial year. No control over the Provincial Intergovernmental Relations meetings									
TL76	Coordination of IGR & Technical IGR as a legislation requirement on governance.	Convening and attendance of Quarterly TIGR & DIGR meetings	Good Governance and Public Participation	I	I	I	I	4	4	G	
*Please note: The municipality has no wards because it is a district municipality											

Table 60: Top Layer SDBIP – To effectively engage in the PIGF and other related fora in order to ensure that there are improved relations and better compliance across the various spheres of government

af) To ensure that the municipalities have the capability to respond to disasters in the future

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL25	Implementation of the National Disaster Management Framework	Development of an integrated Disaster Management plan;	Basic Service Delivery	0	0	0	I	I	I	G
TL26	To conduct a review on the response-time of the centre	Centre review report	Basic Service Delivery	0	0	0	I	I	I	G
*Please note: The municipality has no wards because it is a district municipality										

Table 61: Top Layer SDBIP – To ensure that the municipalities have the capability to respond to disasters in the future

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- ag) *To have a strong District Municipality that supports local municipalities by commissioning a detailed study of the role of the district municipality and how it can remain relevant*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL65	Develop possibility of having Public Private Partnerships to enhance district revenue.	Strategic meetings with leading sector departments and State Own Enterprises (SOE)	Good Governance and Public Participation	0	0	0	I	I	I	G
*Please note: The municipality has no wards because it is a district municipality										

Table 62: Top Layer SDBIP – To have a strong District Municipality that supports local municipalities by commissioning a detailed study of the role of the district municipality and how it can remain relevant

- ah) *To improve the plight of the farmers and in particular emerging farmers by supporting them in being a unified structure through cooperatives and unions.*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL60	Developed a cooperative support programme for farmers.	Report on the Land reform committee	Local Economic Development	0	0	0	I	I	I	G
*Please note: The municipality has no wards because it is a district municipality										

Table 63: Top Layer SDBIP – To improve the plight of the farmers and in particular emerging farmers by supporting them in being a unified structure through cooperatives and unions.

- ai) *To improve the relations with other political offices by developing a programme of engagement between the mayor and the political leadership at both national and province in order to ensure the total realisation of council objectives*

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL67	Develop a monitoring system for the District Izimbizo as a follow up of issues raised at Izimbizo	An Izimbizo monitoring template.	Good Governance and Public Participation	0	0	0	I	I	I	G
TL68	Develop a programme for the critical office bearers based on the various pieces of legislation	Four DIGR and Technical IGR with their minutes and agenda.	Good Governance and Public Participation	I	I	I	I	4	4	G
TL69	Hold engagements with the various leaders at provincial and national government levels in order to mobilise support	Reports from the engagements and action plans for follow up	Good Governance and Public Participation	0	0	0	I	I	0	R
Corrective Measure		No meeting held due to unavailability of stakeholders. Proper planning will ensure that every stakeholder will be available for the engagements.								
*Please note: The municipality has no wards because it is a district municipality										

Table 64: Top Layer SDBIP – To improve the relations with other political offices by developing a programme of engagement between the mayor and the political leadership at both national and province in order to ensure the total realisation of council objectives

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- aj) To promote integrated planning and development in order to eradicate fragmented service delivery by ensuring that the district creates a central forum for planners (IDP, LED etc.) that will focus on issues beyond the normal basket of service of water and electricity in the district.

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL47	Convene/attend and participate in quarterly Housing forum meetings.	4 x quarterly Housing forum meetings minutes and attendance registers.	Basic Service Delivery	1	1	1	1	4	4	G
TL48	Convene/attend and participate in quarterly LED forum meetings.	4 x quarterly LED forum meetings minutes and attendance registers.	Basic Service Delivery	1	1	1	1	4	4	G
*Please note: The municipality has no wards because it is a district municipality										

Table 65: Top Layer SDBIP – To promote integrated planning and development in order to eradicate fragmented service delivery by ensuring that the district creates a central forum for planners (IDP, LED etc.) that will focus on issues beyond the normal basket of service of water and electricity in the district.

- ak) To strengthen the capacity of local municipalities to communicate with their stakeholders and as such ensure the eradication of the lack of information of communities and ensure that they are informed about local government in general

Ref	Strategy	KPI	National KPA	Overall Performance 2015/16						
				Targets					Actual Performance	
				Q1	Q2	Q3	Q4	Annual		
TL70	District to assist local municipalities in the development of Communication strategies guided by GCIS guidelines.	9 X Communication strategies.	All	0	0	0	9	9	0	R
Corrective Measure		Communications manager resigned in October 2015. New Communications Manager appointed in January 2016. Will try to make a reachable target within the next financial year.								
TL71	Through central planning forum, develop a programme for community participation in the programmes of municipalities	A Report programme on community participation	All	0	0	0	1	1	1	G
*Please note: The municipality has no wards because it is a district municipality										

Table 66: Top Layer SDBIP – To strengthen the capacity of local municipalities to communicate with their stakeholders and as such ensure the eradication of the lack of information of communities and ensure that they are informed about local government in general




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3.2.2 Service Providers Strategic Performance

Section 76(b) of the MSA states that KPIs should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement. According to AG's office:

- a) Service provider means a person or institution or any combination of persons and institutions which provide a municipal service
- b) External service provider means an external mechanism referred to in Section 76(b) which provides a municipal service for a municipality
- c) Service delivery agreement means an agreement between a municipality and an institution or person mentioned in Section 76(b) in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality

Section 121(b) of the MFMA and Section 46 of the MSA further state that a municipality should include the following related to service providers in its annual report:

-  the performance of each service provider;
-  a comparison of the performance with targets set for and performances in the previous financial year; and
-  Measures taken to improve performance.

No service providers were appointed to deliver a service on behalf of the Pixley Ka Seme District Municipality (DM) during the 2015/16 financial year.

3.3 MUNICIPAL FUNCTIONS

3.3.1 Analysis of Functions

The municipal functional areas are as indicated below:

Municipal Function	Municipal Function Yes / No
Constitution Schedule 4, Part B functions:	
Air pollution	Yes
Building regulations	Yes
Child care facilities	No
Electricity and gas reticulation	No
Firefighting services	Yes
Local tourism	Yes
Municipal airports	No
Municipal planning	No
Municipal health services	Yes
Municipal public transport	No

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Municipal Function	Municipal Function Yes / No
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	No
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No
Stormwater management systems in built-up areas	No
Trading regulations	Yes
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	No
Constitution Schedule 5, Part B functions:	
Beaches and amusement facilities	No
Billboards and the display of advertisements in public places	No
Cemeteries, funeral parlours and crematoria	Yes
Cleansing	No
Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	No
Facilities for the accommodation, care and burial of animals	No
Fencing and fences	No
Licensing of dogs	No
Licensing and control of undertakings that sell food to the public	Yes
Local amenities	No
Local sport facilities	No
Markets	No
Municipal abattoirs	No
Municipal parks and recreation	No
Municipal roads	No
Noise pollution	No
Pounds	No
Public places	No
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	No
Traffic and parking	No

Table 67: Functional Areas

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3.4 COMPONENT A: ROADS AND HOUSING

This component includes roads and housing.

3.4.1 Roads

Pixley ka Seme DM did not maintain or was not part of any road construction or maintenance projects for the 2015/16 financial year.

We were however involved with the Rural Road Asset Management which includes the condition assessment of municipal streets, traffic analysis and condition assessment of bridges within the district and was funded by the National Department of Transport.

Pixley Ka Seme DM has employed 43 traffic numerators 3 civil engineering graduates and 2 data capturers in order to implement the programme with the funding available.

a) *Employees: Roads*

Job Level (T-grade)	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number				%
0 - 3	0	0	0	0	0
4 - 6	0	0	0	0	0
7 - 9	0	0	0	0	0
10 - 12	0	1	0	1	100
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	0	1	0	1	100

Table 68: Employees: Roads





b) *Capital Expenditure: Roads*

There was no capital expenditure for the 2015/16 financial year.




3.4.2 Housing

a) *Introduction to Housing*

Pixley ka Seme DM, a level 2 accredited housing service delivery agent is delivering the housing service as a shared service to seven of the eight local municipalities in the district. The strategic objectives in terms of housing delivery for the institution are:

-  Promote integrated sustainable human settlements;
-  Align housing projects to existing IDP development priorities;
-  Develop and implement a programmed approach to land development for housing;
-  Develop and implement efficient land identification and land release strategies;

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-  Ensure effective planning and servicing of identified land;
-  Improve skills and capacity building within the municipalities;
-  Implement IGR goals and objectives related to housing.

b) Highlights: Housing

Highlights	
Housing delivery	Completion of the following housing projects: Noupoort 49 - 33 units Victoria West 270 – 50 units

Table 69: Housing Highlights

c) Challenges: Housing

Description	Actions to address
Housing delivery implementation – Non accredited municipalities have signed “Turn Key” contracts with service providers	Clarify roles and responsibilities on housing delivery in the district with Cooperative Governance, Human Settlements & Traditional Affairs (COGHSTA)
COGHSTA funding for accreditation vs operational expenses of the Housing unit	The operational expenses of the Housing Unit for delivering the housing function in the district is much higher than the funding received. Clarification is needed regarding the function of Level 2 accredited municipalities and there funding scenario from the Department of Human Settlements and COGHSTA
Absence of technical and engineering capacity at some local municipalities	Five of the seven municipalities where the DM has to render the housing function have no technical engineering capacity. The filling of these vacancies is critical in housing delivery
Contract management between Pixley ka Seme District Municipality, COGHSTA and local municipalities	Clarify roles and responsibilities on housing delivery in the district with COGHSTA

Table 70: Housing Challenges

d) Service Statistics: Housing

A summary of houses built, includes:

Financial year	Number of houses built	Number of sites serviced
2014/15	217	365
2015/16	120	103

Table 71: Houses built in 2015/16

e) Employees: Housing

Job Level (T-grade)	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number				%
0 - 3	0	0	0	0	0
4 - 6	4	4	4	0	0
7 - 9	0	0	0	0	0

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Job Level (T-grade)	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number				%
10 - 12	3	3	0	3	100
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	7	7	4	3	42.86

Table 72: Employees Housing

f) Capital: Housing

There was no capital expenditure for the 2015/16 financial year.

3.5 COMPONENT B: PLANNING AND LOCAL ECONOMIC DEVELOPMENT (LED)





3.5.1 Planning

a) Introduction to Planning

Sustainable economic development in a region is firstly only possible if there is a balance between the urban-rural and larger-smaller town developments (thus, if there is spatial development balance). Secondly, it requires sufficient protection of all dimensions of the natural environment and, thirdly, the different elements of the physical infrastructure have to develop at a sufficient pace.

These three areas are easily taken for granted in the daily efforts of private enterprises to make a profit, break even or fulfil their short-term goals vs the objectives of public policy to protect and allocate resources to ensure long term sustainability.

The functions of the planning unit consist of:

-  The processing of building plan applications on behalf of local municipalities in the district
-  Assisting local municipalities with zoning and residential layout plans
-  Assist local municipalities with land rezoning and removal of restrictions
-  Establishment of all structures to give effect for the implementation of the Spatial Planning Land Use Management Act (SPLUMA).

b) Building Plan Applications

149 Building applications were processed of which 75 were approved and 74 not approved.

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c) Employees: Planning

Job Level (T-grade)	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number				%
0 - 3	0	0	0	0	0
4 - 6	0	0	0	0	0
7 - 9	0	1	0	1	100
10 - 12	1	2	1	1	50
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	1	3	1	2	66.67

Table 73: Employees: Planning

h) Capital Expenditure: Planning

There was no capital expenditure for the 2015/16 financial year.

3.5.2 Local Economic Development (LED)

a) Introduction to LED

Opportunities exist in the Pixley ka Seme DM, but the eight local and the district municipality face both challenges relating to/in respect of economic development and physical planning which are widely counted on and expected to deliver sustainable development and liveable communities.

b) Highlights: LED

Highlights	Description
Land reform	<p>Pixley ka Seme DM's LED Unit forms part of the District Land Reform Committee with the objective of land acquisition and allocation of land to upcoming farmers. For the 2015/16 financial year the following farms were bought and allocated to beneficiaries:</p> <p><u>Siyathemba Municipal Area</u></p> <p>De Rust – 6 957 ha for livestock farming Ridgewater – 3 360 ha for livestock farming Spes Bona – 3 859 ha livestock farming Naaugekneld – 2 917 ha livestock farming Good Hope – 2 587 ha livestock farming</p> <p><u>Siyancuma Municipal Area</u></p> <p>Farm 398 – 1 279 ha Livestock Farming Elimshof – 2 221 ha Livestock Farming Clifton – 2 179 ha Livestock Farming Duurwater – 1 832 ha Livestock Farming</p>

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Highlights	Description
Agri-processing	<p>The LED Unit forms part of the District Advisory Committee in establishing the District Agripark in Petrusville. Progress made during the 2015/16 financial year includes the identification of agro-processing business opportunities such as the conversion of existing abattoir at Petrusville to a tannery that can process a minimum of 13 200 hides per annum. Spin-offs include manufacturing of leather products.</p> <p>Infrastructure requirements were assessed and the next step will be the conversion of the abattoir into a tannery</p>
Communication	<p><u>Roll-out of Broadband Technology in the District.</u></p> <p>The unit forms part of the Broadband Steering Committee. During this year the District was prepared for the roll-out programme which includes the formulation and adoption of policies, regulations and removal of administrative bottlenecks</p> <p><u>Digital developments</u></p> <p>Assessment of market structure and national broadband network including the demand to facilitate infrastructure roll-out to connect government facilities, school's health and other government departments</p> <p><u>Digital opportunities</u></p> <p>Skills and institutional capacity, innovation and industrial development, applications for services and content development</p>

Table 74: LED Highlights

b) Challenges: LED

The following challenge with regard to the implementation of the LED strategy is:

Description	Actions to address challenges
Financial constraints – lack of resources to initiate programmes, administrative and staff development	Allocation of adequate resources to the LED Unit programmes and capacity building.

Table 75: Challenges LED

c) LED Objectives

LED includes all activities associated with economic development initiatives. The municipality has a mandate to provide strategic guidance to the municipality's integrated development planning and economic development matters and working in partnership with the relevant stakeholders on strategic economic issues. LED strategy identifies various issues and strategic areas for intervention such as:

Objectives	Strategies
Enabling Infrastructure	Support local municipal initiatives
Impacts on regional planning	Make inputs in regional forums and conferences
Land use management practices	Participates in IDP and SDF review processes
Attracts investors	Highlights the competitive and comparative advantages

Table 76: LED Objectives and Strategies

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d) Extended Public Works Programme (EPWP)

The table below indicates the number of projects and jobs created with the EPWP:

Job creation through Extended Public Works Programme (EPWP) projects		
Details	EPWP Projects	Jobs created through EPWP projects
	No.	No.
2014/15	2	46
2015/16	3	182

Table 77: Job creation through EPWP projects

3.6 COMPONENT C: HEALTH

3.6.1 Municipal Health

a) Introduction to Municipal Health

According to the constitution of the Republic of South Africa 1996, the Local Government, Municipal Structures Act No.117 of 1998 and the National Health Act, No 61 of 2003, it is the statutory responsibility of the District Municipality and Metropolitan Municipality to render Municipal Health Services.

Section 24 of the Constitution of the Republic of South Africa entrenches the right of all citizens to live in an environment that is not harmful to their health or well-being. Section 1 of the National Health Act, 2003 (Act 61 of 2003), defines municipal health services and clearly stipulates the responsibilities of municipalities in the performance of such services.

Environmental health

Environmental health transects several areas of human interaction and existence and is defined by the World Health Organisation (WHO) as addressing the physical, chemical and biological factors external to a person and all the related factors impacting behaviours. It encompasses the assessment and control of those environmental factors that can potentially affect public health.

Environmental health services










In Pixley Ka Seme DM it is still an unfortunate reality that large proportion of diseases can be attributed to preventable environmental health conditions and it is often the marginalized communities who tend to be worse affected. Protecting the public's health through the protection of the environment is one of Pixley Ka Seme DM's core legislative mandates by rendering of municipal health services.

The role and function of the Municipal Health Services Unit

Municipal health services are rendered to ensure protection of public health in the district, it is essential that effective municipal health services are implemented. Pixley Ka Seme DM appointed nine (9) Environmental Health Practitioners (EHPs) to ensure effective rendering of municipal health services, such officials ensure that the service is rendered in accordance with the National Health Act (Act 61 of 2003).

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Key performance areas of municipal health are:

-  Water quality monitoring
-  Waste management
-  Food control
-  Health surveillance of premises
-  Disposal of the dead
-  Chemical safety
-  Environmental pollution control
-  Vector control
-  Surveillance and prevention of communicable diseases excluding immunization

EHP's work together to provide situation analysis and need based risks affecting the public health. Routine inspections reveal that new and evolving risks and exposures continuously place demands on our municipal health services and to respond to these risks, continuous appointment of EHPs are done to respond/address such risks through awareness campaigns, clean-up programs and indoor air quality.

The district identified five key areas which poses serious threat to public health:

-  Water Quality Monitoring
-  Food Safety Control
-  Surveillance of premises Early Childhood Development (ECD) Centre's, clinics, hospitals and schools etc.
-  Waste management monitoring
-  Surveillance of communicable diseases

b) *Highlights: Municipal Health*

Highlights	Description
EHPs trained as Peace Officers	The training will provide officials with the skills to enforce non-compliance penalties to premises or individuals who contravenes any legislation governing municipal health services
Awareness campaigns conducted within schools, ECD centers and door to door	To educate on environmental risks which are detrimental to human health
Additional EHP officials appointed	The additional three EHP officials reduces the number of population served per EHP from 46 500 to 26 571 and three out the 8 local municipalities complying with 1:10 000 national norms
1 788 Food handlers were trained of proper handling of food and issued with certificates	The training was identified as a need to address the high non-compliance rate within food establishments. The main aim was to educate food handlers on safe handling procedure when cooking or handling raw products
60 CWP workers trained on waste management and given certificates.	The training was provided to address high number of illegal dumping within residential area

Table 78: Municipal Health: Highlights

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Figure 2 Food handlers (178) receiving training and issued with training certificates



Figure 3 Environmental health practitioners conducting a campaign, on hand washing to school kids

c) Challenges: Municipal Health

Description	Actions to address
Unlicensed food premises in accordance with Business License Act by local municipalities	The local municipality to issue business license to business premises to ensure business comply with legislations governing them and to enforce penalties if non-compliant.
Lack of budget to address some of the public risk identified during routine inspections	The District to continue to advocate for more funds

Table 79: Municipal Health: Challenges

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d) Service Statistics: Municipal Health

Type of service	2014/15	2015/16
Water quality monitoring by conducting monthly sampling to determine compliance to SANS 241-2011	910	1 085
Inspections of food premises	599	735
Inspection to landfill sites	73	50
Inspection of funeral undertakers (disposal of the dead)	67	81
Inspection of non-food premises e.g. schools, crèches, hospitals and clinics (i.e. Surveillance premises)	350	436
Inspection conditions promoting the habits and breeding habits of vectors	975	1 179

Table 80: Service Statistics: Municipal Health

e) Employees: Municipal Health

Job Level (T-grade)	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number				%
0 – 3	0	0	0	0	0
4 – 6	0	0	0	0	0
7 – 9	0	0	0	0	0
10 – 12	5	7	7	0	0
13 – 15	1	3	2	1	66.67
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	6	10	9	1	10

Table 81: Employees: Municipal Health

f) Capital: Municipal Health



There was no capital expenditure for the 2015/16 financial year.

3.7 COMPONENT D: SAFETY AND SECURITY




3.7.1 Disaster Management

a) Introduction to Disaster Management

The Disaster Management Act provides for:

-  An integrated and coordinated Disaster Management Policy that focuses on preventing or reducing the risk of disasters, mitigating the severity of disasters, emergency preparedness, rapid and effective response to disasters, and post-disaster recovery.
-  The establishment of a District Municipal Disaster Management Centre.

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-  Disaster management volunteers.
-  Awareness programs.
-  Matters relating to these issues.

b) Highlights: Disaster Management

Highlights	Description
Awareness campaigns	School visits to Griekwastad, Campbell and Colesberg as part of awareness campaigns
Establishment of Fire Protection Association	Emthanjeni Fire Protection Association was established
Collaborating with stakeholders	The Disaster Management Unit collaborated with ESKOM, SAPS, Traffic Law Enforcement, SANDF, and non-governmental stakeholders during the 2015/16 financial year

Table 82: Disaster Management Highlights

c) Challenges: Disaster Management

Description	Actions to address
Funding for training needs	The Municipality needs financial assistance for training and will take the necessary steps to source external funding

Table 83: Disaster Management

d) Activities – Disaster Management

The table below reflects some of the matters addressed by Disaster Management within the Pixley Ka Seme District Municipal Area:

Items	Number of activities during 2015/16
Campaigns	1
Fire Fighting trainings	2

Table 84: Activities: Disaster Management

f) Employees: Disaster Management

Job Level (T-grade)	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number				%
0 – 3	0	0	0	0	0
4 - 6	11	14	12	2	14.29
7 - 9	0	1	0	1	100
10 - 12	1	1	1	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0

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Job Level (T-grade)	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number				%
Total	12	16	13	3	18.75

Table 85: Employees: Disaster Management

f) Capital Expenditure – Disaster Management

There was no capital expenditure for the 2015/16 financial year.

3.8 COMPONENT E: CORPORATE POLICY OFFICES AND OTHER SERVICES

3.8.1. Executive and Council

a) Highlights: Executive and Council

Highlights	Description
Implementation of the “back-to-basics” campaign	Constantly reporting on all the elements and functions of the campaign and to ensure we deliver basic services to all our people
Launch of the district civil society forum	The forum will improve capacity of all civil society structures and the co-ordination of the implementation of the Provincial Strategic Plan and High Level Meeting targets
Installation of water connections in Scmiidtsdrift	The newly constructed houses in the community have access to clean reliable water

Table 86: Financial Services Highlights

c) Challenges: Executive and Council

Challenge	Actions to address
Budget constraints.	Form partnerships with other sector departments to have joint programmes

Table 87: Financial Services Challenges

d) Employees: Executive and Council

Political Employees	2014/15	2015/16
Councillors	5 full time and 13 part-time councillors	5 full time and 13 part-time councillors
Administrative staff (contract employees employed in the Office of the Executive Mayor)	7	7

Table 88: Employees: Fire services

e) Capital Expenditure: Executive and Council

There was no capital expenditure for the 2015/16 financial year.

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3.8.2 Financial Services

a) Highlights: Financial Services

Highlights	Description
Improved Auditor General's audit opinion since 2013/2014	Number of emphasis of matters decreased
Drastic improvement in Supply Chain Management related issues	Irregular expenditure decreased
Reporting to National Treasury improved	Non-withholding of grants
Creditors paid within 30 Days	No interest raised on accounts for the 2015/16 financial year

Table 89: Financial Services Highlights

b) Challenges: Financial Services

Challenge	Actions to address
The financial position of the Municipality	Provincial Treasury has been approached for financial assistance
Non-payment of shared services by local municipalities	The Municipality will look at follow-up procedure options to ensure payment of shared services
Implementation of MSCOA	The Municipality has approached South African Local Government Association(SALGA), National Treasury and COGSHTA in this regard

Table 90: Financial Services Challenges

c) Employees: Financial Services

Job Level (T-grade)	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number				%
0 - 3	0	0	0	0	0
4 - 6	3	6	3	3	50
7 - 9	1	2	1	1	50
10 - 12	3	3	3	0	0
13 - 15	1	2	1	1	50
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	8	13	8	5	38.46

Table 91: Employees: Financial services

d) Capital Expenditure – Financial Performance

There was no capital expenditure for the 2015/16 financial year.

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3.8.3 Human Resource Services

a) Introduction to Human Resources

The Human Resources (HR) Unit is responsible for the management of all HR related functions within the municipality, this will include but not be limited to recruitment and selection, leave administration performance management and organisational design.

The Unit is also involved in capacity building initiatives that have been initiated by other stakeholders i.e. SETA's, to give experimental learning to newly qualified graduates as well as FET learners.

b) Employees: Human Resources

Job Level (T-grade)	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number				%
0 - 3	0	0	0	0	0
4 - 6	1	1	1	0	0
7 - 9	0	0	0	0	0
10 - 12	1	1	1	0	0
13 - 15	1	1	1	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	3	3	3	0	0

Table 92: Employees: Human Resource services

c) Capital Expenditure – Human Resources

There was no capital expenditure for the 2015/16 financial year.

3.8.4 Procurement Services

a) Introduction to Procurement Services

c) Highlights: Procurement Services

Highlights	Description
Compilation of gift register	Declaring gifts in cash or any form given to employees
Compilation of procurement plan	Planning document outlining which goods, services and resources are needed and the time lines

Table 93: Procurement Services Highlights

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d) Challenges: Procurement Services

Description	Actions to address
No SCM Risk Strategy is implemented	The SCM unit should have a SCM Risk Strategy and monitor it to minimise risks.
Compliance with SCM processes	Departments and/or employees should be liable for the expenses incurred if processes where not followed

Table 94: Procurement Services Challenges

b) Service Statistics for Procurement Services

Description	Total No	Monthly Average
Orders processed	1 497	124.75
Extensions	0	0
Bids received (number of documents)	31	2.58
Bids awarded	15	1.25
Bids awarded ≤ R200 000	7	0.58
Appeals registered	0	0
Successful Appeals	0	0

Table 95: Service Statistics for SCM

d) Details of Deviations from Procurement Services

Reason for Deviation	Number of Applications Considered and Approved	Value of Applications Approved (R)
Section 36(1)(a)(i)- In an emergency which is considered an unforeseeable and sudden event with materially harmful or potentially materially harmful consequences for the municipality which requires urgent action to address	1	373 000
Section 36(1)(a)(ii)- Where it can be demonstrated that goods or services are produced or available from a single provider only	3	12 550
Section 36(1)(a)(iii)- For the acquisition of special works of art or historical objects where specifications are difficult to compile	N/A	N/A
Section 36(1)(a)(v)- Exceptional case and it is impractical or impossible to follow the official procurement processes	2	1 962 983.48
Total		

Table 96: Details of Deviation from Procurement Services

e) Capital Expenditure –Procurement Services

There was no capital expenditure for the 2015/16 financial year.

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3.8.5 Internal Audit

a) Introduction to Internal Audit

The internal audit activity provides an independent, objective assurance and consulting service which is designed to add value and improve the organization's operations.

The role of the Internal Audit in the municipality is to assist the Municipal Manager and the Council to meet their objectives and to discharge their responsibilities by providing an independent evaluation of the adequacy and effectiveness of Pixley Ka Seme District Municipality's network of control set by management and governance processes.

b) Highlights: Internal Audit

Highlights	Description
Recognition of Prior Learning Assessment.	Internal Audit Technician program completed by the Senior Internal Auditor and 3 Internal Auditors.
Ad-hoc assignments completed.	Investigations done during the financial year.

Table 97: Internal Audit Highlights

c) Challenges: Internal Audit

Description	Actions to address
Accredited Training needed.	Approach Provincial government for extra funding.
Limited budget for operational duties.	

Table 98: Internal Audit Challenges

d) Employees: Internal Audit

Job Level (T-grade)	2014/15	2015/16			
	Employees	Posts (approved)	Employees (posts filled)	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number				%
0 - 3	0	0	0	0	0
4 - 6	4	4	4	0	0
7 - 9	0	0	0	0	0
10 - 12	4	4	4	0	0
13 - 15	2	3	2	1	33.33
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	10	11	10	1	9.09

Table 99: Employees: Internal Audit

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3.9 COMPONENT F: ORGANISATIONAL PERFORMANCE SCORECARD

3.9.1 Development and Service Delivery Priorities for 2016/17

The main development and service delivery priorities for 2016/17 forms part of the Municipality's Top Layer SDBIP for 2016/17 and are indicated in the table below:

a) *Manage and improve the implementation of the Performance Management System*

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL2	Review the PMS Policy Framework and submit to council by 30 June 2017	PMS Policy framework reviewed and submitted to council by 30 June 2017	All	1
TL4	Submit the draft Annual Report to Council by 31 January 2017	Draft Annual Report submitted to Council by 31 January 2017	All	1
TL47	Sign 57 performance agreements with all directors by 31 July 2016	Number of agreements signed by 31 July 2016	All	4

Table 100: *Service Delivery Priorities for 2016/17 – Manage and improve the implementation of the Performance Management System*

b) *The District to approve the Service Delivery Budget Implementation Plan (SDBIP) within the prescribed timeframe*

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL25	Submit the Top layer SDBIP for the 2017/18 budget for approval by the Mayor within 14 days after the budget has been approved	Top Layer SDBIP for the 2017/18 budget submitted to the Mayor within 14 days after the budget has been approved	All	1

Table 101: *Services Delivery Priorities for 2016/17 - The District to approve the Service Delivery Budget Implementation Plan (SDBIP) within the prescribed timeframe*

c) *The District to assist local municipalities with MIG project implementation in order to achieve 100% expenditure where PMU service is rendered*

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL29	Submit quarterly progress reports that include expenditure on all MIG projects in the district to the portfolio committee	Number of reports submitted	All	4

Table 102: *Services Delivery Priorities for 2016/17 - The District to assist local municipalities with MIG project implementation in order to achieve 100% expenditure where PMU service is rendered*

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- d) *The District to ensure accurate and professional reports as prescribed by the MFMA are submitted monthly (Sect 71,72 and Sect 46), and also implement the MFMA*

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL33	Financial viability measured in terms of the municipality's ability to meet its service debt obligations by 30 June 2017 ((Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant)	% of debt coverage	All	45%
TL34	Financial viability measured in terms of the available cash to cover fixed operating expenditure by 30 June 2017 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))	Number of months it takes to cover fix operating expenditure with available cash	All	1
TL39	Submit the sec 71 of the MFMA reports to the Provincial Treasury within 10 working days after the start of the month	Number of Section 71 reports submitted	All	12

Table 103: *Services Delivery Priorities for 2016/17 – The District to ensure accurate and professional reports as prescribed by the MFMA are submitted monthly (Sect 71,72 and Sect 46), and also implement the MFMA*

- e) *The District to ensure compliance in terms of MFMA Budget Schedule/Timeframes*

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL36	Prepare and submit the adjustments budget to Council by the 28 February 2017	Adjustments budget submitted by 28 February 2017	All	1
TL37	Prepare and submit the draft budget to Council by 31 March 2017	Draft budget submitted by 31 March 2017	All	1
TL38	Prepare and submit the final budget to Council by 31 May 2017	Final budget submitted by 31 May 2017	All	1

Table 104: *Services Delivery Priorities for 2016/17 – The District to ensure compliance in terms of MFMA Budget Schedule/Timeframes*

- f) *The District to ensure coordination of Political IGR and Technical IGR as a legislation requirement on Government*

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL32	Co-ordinate the District MM/CFO forums on a quarterly basis	Number of meetings coordinated	All	4
TL40	Submit a quarterly report on the non-payment of shared services to the District MM/CFO Forum	Number of reports submitted	All	4
TL46	Facilitate the meeting of the District Intergovernmental Forum (Technical)	Number of meetings held	All	4

Table 105: *Service Delivery Priorities for 2016/17 – The District to ensure coordination of Political IGR and Technical IGR as a legislation requirement on Government*

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- g) The District to ensure functionality of forums and establish a formal cooperation between council and organizations in this sector**

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL3	Arrange a strategic session for the newly elected council by 31 October 2016	Strategic session held by 31 October 2016	All	1
TL9	Hold an induction workshop for newly elected Councillors by 31 December 2016 on municipal policy's, etc.	Workshop held by 31 December 2016	All	1
TL31	Arrange and convene quarterly Infrastructure Forum meetings	Number of meetings arranged	All	4
TL48	Review the roles and responsibilities and complete the Section 53 report in terms of the MSA and submit to council by 31 May 2017	Reviewed Roles and Responsibilities submitted to council by 31 May 2017	All	1
TL51	Establish 4 Communication Forums within the local municipalities by 30 June 2017	Number of Communication Forums established by 30 June 2017	All	4
TL53	Facilitate the meeting of the Youth Council	Number of meetings held	All	2
TL55	Provide 1 training session per local municipality by 30 June 2017 to train ward committee members	Number of training sessions provided	All	8
TL56	Facilitate the meeting of the District HIV/AIDS council	Number of meetings held	All	4

Table 106: Service Delivery Priorities for 2016/17 – The District to ensure functionality of forums and establish a formal cooperation between council and organizations in this sector

- h) The District to ensure that the municipality improve means of communication, both internally and externally by an improved communication strategy, which is both effective and sustainable**

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL8	Develop and sign Service Level Agreements (SLA's) with local municipalities for support services rendered	Number of SLA's signed	All	8
TL49	Facilitate the meeting of the District Communication Forum	Number of meetings held	All	4
TL50	Review the District Communication Plan and submit to Council by 30 June 2017	District Communication Plan reviewed and submitted to Council by 30 June 2017	All	1
TL52	Provide 4 training sessions to local municipalities by 30 June 2017 on the operating the local communication forums	Number of training sessions held	All	4

Table 107: Service Delivery Priorities for 2016/17 – The District to ensure that the municipality improve means of communication, both internally and externally by an improved communication strategy, which is both effective and sustainable

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i) The District to facilitate and assist Municipalities with simplifying and reviewing their IDP's

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL26	Submit the final five year IDP for 2017/18 - 2021/22 to Council by 31 May 2017	Final five year IDP for 2017/18 - 2021/22 submitted to Council by 31 May 2017	All	1
TL30	Compile maintenance plans for water and electricity for 4 municipalities	Number of maintenance plans compiled	All	8

Table 108: Service Delivery Priorities for 2016/17 – The District to facilitate and assist Municipalities with simplifying and reviewing their IDP's

j) The District to Implement extensive programme of EPWP during the implementation of infrastructure projects. (depends on availability of funds, e.g. DORA allocation)

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL28	Create job opportunities through the Expanded Public Works Programme (EPWP) by 30 June 2017	Number of job opportunities created through the Expanded Public Works Programme (EPWP) by 30 June 2017	All	55

Table 109: Service Delivery Priorities for 2016/17 – The District to Implement extensive programme of EPWP during the implementation of infrastructure projects (depends on availability of funds, e.g. DORA allocation)

k) The District to implement the LED Strategy

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL27	Arrange and convene a quarterly LED forum meeting	Number of meetings arranged	All	4

Table 110: Service Delivery Priorities for 2016/17 – The District to implement the LED Strategy

l) The District to implement the Municipal Health Services

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL11	Submit quarterly progress reports to council on the development of a By-Law on municipal Health Services	Number of reports submitted	All	4
TL12	Submit quarterly progress reports to council on the development of a Law Enforcement System	Number of reports submitted	All	4
TL13	Submit quarterly reports to council on water samples taken and analysis	Number of reports submitted	All	4
TL14	Take samples of potable water within in the district to monitor bacterial levels	Number of samples taken and monitored	All	1 236
TL15	Submit quarterly reports to council on food safety training	Number of reports submitted	All	4
TL16	Take samples of waste water within in the district	Number of samples taken and monitored	All	162
TL17	Inspect government premises and private entities	Number of government premises and private entities inspected	All	461

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Ref	KPI	Unit of Measurement	Wards	Annual Target
TL18	Conduct Health safety & hygiene promotions campaigns	Number of Health safety & hygiene promotions campaigns conducted	All	125
TL19	Inspect funeral undertakers	Number of funeral undertakers inspected	All	42
TL20	Inspect landfill sites	Number of landfill sites inspected	All	24
TL21	Inspect premises for vectors control	Number of premises inspected	All	1 076
TL22	Inspect food outlets and premises	Number of food outlets and premises inspected	All	573

Table 111: Service Delivery Priorities for 2016/17 – The District to implement the Municipal Health Services

m) The District to review and implement approve Internal Audit Charter on an annual basis

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL41	Submit a Quality Assurance Plan to the Audit Committee by 30 November 2016	Number of reports submitted	All	1
TL42	Submit quarterly internal audit reports to the local municipalities in terms of the Service Level Agreements	Number of reports submitted	All	32
TL43	Compile the Risk based audit plan (RBAP) for 2017/18 and submit to the Audit Committee for consideration by 30 November 2016	RBAP for 2017/18 compiled and submitted to the Audit Committee by 30 November 2016	All	1
TL44	Compile the Risk based audit plans (RBAP) for 2017/18 for the local municipalities in terms of the Service Level Agreements and submit to the local municipalities by 30 June 2017	RBAP for 2017/18 compiled and submitted to the local municipalities by 30 June 2017	All	8
TL45	Compile the 3-year Strategic Audit Plan and submit to the Audit Committee by 30 November 2016	Number of reports submitted	All	1

Table 112: Service Delivery Priorities for 2016/17 – The District to review and implement approve Internal Audit Charter on an annual basis

n) The District to review the organisational structure, Identify and fill all critical vacant posts

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL1	Fill vacant budgeted post as per approved staff establishment by 30 June 2017	Number of vacant budgeted posts filled by 30 June 2017	All	5
TL23	Number of people from employment equity target groups that will be appointed in the three highest levels of management during the 2016/17 financial year in compliance with the municipality's approved employment equity plan	Number of people that will be appointed in the three highest levels of management in compliance with a municipality's approved employment equity plan	All	2

Table 113: Service Delivery Priorities for 2016/17 – The District to review the organisational structure, Identify and fill all critical vacant posts

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o) Outreach Program to Vulnerable Groups

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL5	Review the Disaster Management Plan and submit to council by 31 March 2017	Disaster Management Plan reviewed and submitted to Council by 31 March 2017	All	1
TL6	Train volunteers into Disaster Management by 30 June 2017	Number of volunteers trained	All	20
TL7	Conduct a risk analysis on disaster threats in the district and submit report on analysis to council by 30 June 2017	Risk analysis completed and submitted to council by 30 June 2017	All	1

Table 114: Service Delivery Priorities for 2016/17 – Outreach Program to Vulnerable Groups

p) The District to Strengthen the campaign against HIVAIDS, and ensure better coordination.

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL54	Host commemorative days as per the approved list by the Municipal Manager and Mayor by 30 June 2017	Number of commemorative days hosted	All	5

Table 115: Service Delivery Priorities for 2016/17 – The District to Strengthen the campaign against HIVAIDS, and ensure better coordination.

q) The District to submit financial statements by the end of August and Section 46 report

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL35	Submit the annual financial statements to the Auditor-General by 31 August 2016	Statements submitted to the AG by 31 August 2016	All	1

Table 116: Service Delivery Priorities for 2016/17 – The District to submit financial statements by the end of August and Section 46 report

r) The District to support local municipalities in compiling and implementation of their Workplace Skills Plans (WSP)

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL10	Review the Workplace Skills Plan and submit to the LGSETA by 30 April 2017	Plan submitted to the LGSETA by 30 April 2017	All	1
TL24	Spent 1% of personnel budget on training by 30 June 2017 (Actual total training expenditure divided by total personnel budget)	% of the personnel budget spent	All	1%

Table 117: Service Delivery Priorities for 2016/17 – The District to support local municipalities in compiling and implementation of their Workplace Skills Plans (WSP)

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

CHAPTER 4

4. ORGANISATIONAL DEVELOPMENT PERFORMANCE

4.1 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Pixley Ka Seme District Municipality currently employs **79** permanent officials as at 30 June 2016, who individually and collectively contribute to the achievement of Municipality's objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and an administrative function.

4.1.1 Employment Equity

The Employment Equity Act (1998) Chapter 3, Section 15 (1) states that affirmative action measures are measures designed to ensure that suitable qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels in the workforce of a designated employer. The national performance indicator also refers to: "Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan"

a) Employment Equity Targets/Actual within the 3 highest levels

African		Coloured		Indian		White	
Target June	Actual June	Target June	Actual June	Target June	Actual June	Target June	Actual June
2	1	3	1	0	0	4	1

Table 118: 2015/16 EE targets/Actual by racial classification

Male			Female			Disability		
Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach
5	1	20%	4	2	50%	2	1	50%

Table 119: 2015/16 EE targets/actual by gender classification

b) Occupational Levels - Race

The table below categorises the number of employees by race within the occupational levels:

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	2	1	0	1	0	0	0	0	4
Senior management	3	0	0	2	0	2	0	0	7
Professionally qualified and experienced specialists and mid- management	2	3	0	0	7	2	0	1	15

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Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	3	3	0	5	3	0	0	0	14
Semi-skilled and discretionary decision making	7	6	0	1	11	6	0	0	31
Unskilled and defined decision making	3	1	0	0	3	1	0	0	8
Total permanent	20	14	0	9	24	11	0	1	79
Non- permanent employees	3	1	0	0	4	1	0	0	9
Grand total	23	15	0	9	28	12	0	1	88

Table 120: Occupational Levels

c) Departments - Race

The following table categories the number of employees by race within the different departments:

Department	Male				Female				Total
	A	C	I	W	A	C	I	W	
Office of the Municipal Manager	1	0	0	0	1	0	0	0	2
Office of the Executive Mayor	3	0	0	0	1	2	0	0	6
Finance	0	2	0	1	4	3	0	0	10
Corporate Services	12	8	0	1	14	5	0	1	41
Infrastructure, Housing, Planning & Development	3	1	0	1	5	0	0	0	10
Internal Audit	1	3	0	1	2	3	0	0	10
Total permanent	20	14	0	4	27	13	0	1	79
Non-Permanent	3	1	0	0	4	1	0	0	9
Grand total	23	15	0	4	31	14	0	1	88

Table 121: Department – Race

d) Vacancy Rate

The approved organogram for the municipality had **101** posts for the 2015/16 financial year. The actual positions filled are indicated in the tables below by post level and by functional level. **22** Posts were vacant at the end of 2015/16, resulting in a vacancy rate of **21.78%**.

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Below is a table that indicates the vacancies within the municipality:

Per Post Level		
Post level	Filled	Vacant
MM & MSA Section 57 & 56	4	1
Middle management (T14-T19)	10	3
Admin Officers (T4-T13)	59	18
General Workers (T3)	6	0
Total	79	22
Per Functional Level		
Functional area	Filled	Vacant
Office of Municipal Manager	2	0
Office of Executive Mayor	6	3
Financial Services	10	5
Corporate Services	41	5
Infrastructure, Housing, Planning and Developmental Services	10	7
Internal Audit Services	10	2
Total	79	22

Table 122: Vacancy rate per post and functional level

The table below indicates the number of critical vacancies within the municipality per salary level:

Salary Level	Number of current critical vacancies	Vacancy job title
Municipal Manager	0	N/A
Chief Financial Officer	0	N/A
Other Section 57 Managers	0	N/A
Senior management (T14-T19)	1	Senior Manager: Shared Services
Highly skilled supervision (T4-T13)	2	Building Inspector Housing Specialist
Total	3	N/A

Table 123: Critical vacancies per salary level

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e) *Turnover rate*

A high turnover may be costly to a municipality and might negatively affect productivity, service delivery and institutional memory/organizational knowledge. Below is a table that shows the turnover rate within the municipality for the past two financial years.

Financial year	Total no appointments at the end of each Financial Year	New appointments	No Terminations during the year	Turn-over Rate
2014/15	76	14	9	12.24%
2015/16	79	14	11	14.19%

Table 124: Turnover Rate

4.2 MANAGING THE MUNICIPAL WORKFORCE

Managing the municipal workforce refers to analysing and coordinating employee behaviour.

4.2.1 Injuries

An occupational injury is a personal injury, disease or death resulting from an occupational accident. Compensation claims for such occupational injuries are calculated according to the seriousness of the injury/disease and can be costly to a municipality. Occupational injury will influence the loss of man hours and therefore financial and productivity performance.

There were no injuries reported during the 2015/16 financial year.

Incidents are investigated to determine whether there was any negligence involved to ensure that it is an actual injury on duty.

The table below indicates the total number of injuries within the different directorates:

Directorates	2014/15	2015/16
Office of the Municipal Manager	0	0
Office of the Executive Mayor	0	0
Finance	1	0
Corporate Services	0	0
Infrastructure, Housing, Planning & Development	0	0
Internal Audit	0	0
Total	0	0

Table 125: Injuries

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4.2.2 Sick Leave

The number of day's sick leave taken by employees has service delivery and cost implications. The monitoring of sick leave identifies certain patterns or trends. Once these patterns are identified, corrective action can be taken.

The total number of employees that have taken sick leave during the 2015/16 financial year shows a decrease when compared with the 2014/15 financial year.

The table below indicates the total number sick leave days taken within the year:

Year	Total number of sick leave days taken within the year
2014/15	854
2015/16	840

Table 126: Sick leave days

4.2.3 HR Policies and Plans

Policies and plans provide guidance for fair and consistent staff treatment and a consistent approach to the managing of staff. The table below shows the HR policies and plans that are approved and revised:

Approved policies	
Name of policy	Date approved/revised
Recruitment and Selection Policy	27 May 2016
Skills Development Policy	27 May 2016
Career Pathing Policy	27 May 2016
Study Assistance Policy	27 May 2016
Staff Induction Policy	27 May 2016
Bereavement Policy	27 May 2016
Code of Conduct for Municipal Officials	Local Government: Municipal Systems Act
Dress Code Policy	27 May 2016
Employee Health and Wellness Policy	27 May 2016
Employment Equity Plan	27 May 2016
HIV/Aids Policy	27 May 2016
Human Resources Strategy	27 May 2016
Placement Policy	8 July 2002
Performance Management Framework	27 May 2016
Promotion and Succession Planning Policy	27 May 2016
Remuneration Policy	27 May 2016
Rental Allowance Scheme Policy	27 May 2016
Substance Abuse Policy	27 May 2016
Organisational Structure	27 May 2016

Table 127: HR policies and plans

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4.3 CAPACITATING THE MUNICIPAL WORKFORCE

Section 68(1) of the MSA states that a municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way. For this purpose, the human resource capacity of a municipality must comply with the Skills Development Act (SDA), 1998 (Act No. 81 of 1998), and the Skills Development Levies Act, 20 1999 (Act No. 28 of 1999).

4.3.1 Skills Matrix

The table below indicates the number of employees that received training in the year under review:

Management level	Gender	Number of employees identified for training at start of the year	Number of Employees that received training
MM and S57	Female	0	0
	Male	1	1
Legislators, senior officials and managers	Female	2	1
	Male	3	3
Associate professionals and Technicians	Female	1	0
	Male	1	0
Professionals	Female	9	9
	Male	2	2
Clerks	Female	4	4
	Male	0	0
Elementary occupations	Female	1	1
	Male	2	0
Sub total	Female	17	15
	Male	9	6
Total		26	21

Table 128: Skills Matrix

4.3.2. Skills Development – Training provided

The Skills Development Act (1998) and the Municipal Systems Act, (2000), require employers to supply employees with the necessary training in order to develop its human resource capacity. Section 55(1)(f) states that as head of administration the Municipal Manager is responsible for the management, utilization and training of staff.

Occupational categories	Gender	Training provided within the reporting period (2015/16)					
		Learnerships		Skills programmes & other short courses		Total	
		Actual	Target	Actual	Target	Actual	Target
MM and S57	Female	0	0	0	0	0	0
	Male	1	1	0	0	1	1
	Female	0	0	1	1	1	1

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Occupational categories	Gender	Training provided within the reporting period (2015/16)					
		Learnerships		Skills programmes & other short courses		Total	
		Actual	Target	Actual	Target	Actual	Target
Legislators, senior officials and managers	Male	2	2	1	1	3	3
Professionals	Female	0	0	6	6	6	6
	Male	1	1	2	2	3	3
Clerks	Female	3	3	1	1	4	4
	Male	2	2	0	0	2	2
Elementary occupations	Female	0	0	1	1	1	1
	Male	0	0	0	0	0	0
Sub total	Female	3	3	9	9	12	12
	Male	6	6	3	3	9	9
Total		9	9	12	12	21	21

Table 129: Skills Development

4.3.3 Skills Development - Budget allocation

Year	Total personnel budget (R)	Total Allocated	Total Spend	% Spent
2014/15	29 321 532	297 000	326 235	1.11
2015/16	31 954 146	311 000	286 719	0.90

Table 130: Budget allocated and spent for skills development

4.3.4 MFMA Competencies

In terms of Section 83 (1) of the MFMA, the accounting officer, senior managers, the chief financial officer, non-financial managers and other financial officials of a municipality must meet the prescribed financial management competency levels that are key to the successful implementation of the Municipal Finance Management Act. National Treasury has prescribed such financial management competencies in Government Notice 493 dated 15 June 2007.

To assist the above-mentioned officials to acquire the prescribed financial competencies, National Treasury, with the collaboration of various stakeholders and role players in the local government sphere, developed an outcomes-based NQF Level 6 qualification in municipal finance management. In terms of the Government Notice 493 of 15 June 2007, "(1) No municipality or municipal entity may, with effect 1 January 2013 (exempted until 30 September 2015 as per Government Notice No. 179 of 14 March 2014), employ a person as a financial official if that person does not meet the competency levels prescribed for the relevant position in terms of these Regulations."

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The table below provides details of the financial competency development progress as required by the regulation:

Description	Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	Competency assessments completed (Regulation 14(4)(b) and (d))	Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials				
Accounting officer	1	No	1	1
Chief financial officer	1	No	1	1
Senior managers	2	Yes	2	2
Any other financial officials	7	No	N/A	7
Supply Chain Management Officials				
Heads of supply chain management units	1	No	N/A	1
Supply chain management senior managers	0	No	N/A	0
TOTAL	12	N/A	4	12

Table 131: Budget allocated and spent for skills development

4.4 THE MUNICIPAL WORKFORCE EXPENDITURE

Section 66 of the MSA states that the accounting officer of a municipality must report to the Council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits. This is in line with the requirements of the Public Service Regulations, (2002), as well as National Treasury Budget and Reporting Regulations SA22 and SA23.

4.4.1 Personnel Expenditure

The percentage personnel expenditure is essential in the budgeting process as it reflects on current and future efficiency. The table below indicates the percentage of the municipal budget that was spent on salaries and allowance for the past three financial years and that the municipality is well within the national norm of between 35 to 40%:

Financial year	Total Expenditure salary and allowances	Total Operating Expenditure	Percentage (%)
2014/15	29 321 523	9 756 020	33.27
2015/16	31 954 146	17 333 640	54.25

Table 132: Personnel Expenditure

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Below is a summary of Councillor and staff benefits for the year under review:

Financial year	2014/15	2015/16		
Description	Actual	Original Budget	Adjusted Budget	Actual
Councillors (Political Office Bearers plus Other)				
Salary	3 542 912	3 816 000	3 726 000	3 727 252
Cell phone allowance	42 000	42 000	42 000	42 000
Sub Total	3 584 912	3 858 000	3 768 000	3 769 252
% increase/ (decrease)	-	7.62%	(2.33%)	0.03%
Senior Managers of the Municipality				
Salary	4 167 201	4 100 000	4 100 000	4 127 682
Service Bonus	296 350	305 000	305 000	305 116
Pension Contributions	617 889	560 000	560 000	560 018
Motor vehicle allowance	588 972	666 000	666 000	666 463
Sub Total	5 670 412	5 631 000	5 631 000	5 659 279
% increase/ (decrease)	-	(0.70%)	0.00%	0.50%
Other Municipal Staff				
Basic Salaries and Wages	15 310 299	17 000 000	15 700 000	16 824 745
Pension Contributions	2 311 569	2 701 990	2 701 990	2 614 611
Medical Aid Contributions	549 188	556 494	556 494	599 978
Motor vehicle allowance	987 092	1 023 422	1 023 422	900 238
Industrial Council Levy	6 597	7 000	7 000	7 301
UIF	119 745	131 000	131 000	130 898
Housing allowance	149 147	248 100	248 100	256 769
Overtime	274 752	265 000	265 000	261 460
Learnerships	45 000	0	0	0
Defined Benefit Plan Expense	120 593	574 000	574 000	1 150 122
Sub Total	19 873 982	22 507 006	21 207 006	22 746 122
% increase/ (decrease)	-	13.25%	(5.78%)	7.26%
Total Municipality	29 129 306	31 996 006	30 606 006	32 174 653
% increase/ (decrease)	-	9.84%	(4.34%)	5.13%

Table 133: Personnel Expenditure

*Note: Figures in the previous year were amended and will therefore not match the figures in the previous year annual report. Figures for 2015/16 financial year are unaudited figures as at 30 June 2016.

CHAPTER 5: FINANCIAL PERFORMANCE

CHAPTER 5

This chapter provides details regarding the financial performance of the municipality for the 2015/16 financial year

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

5.1 FINANCIAL SUMMARY

The table below indicates the summary of the financial performance for the 2015/16 financial year:

Description	2014/15	2015/16			2015/16 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjust-ments Budget
	R'000				%	
Financial Performance						
Investment revenue	356	0	0	495	N/A	N/A
Public Safety	2 594	2 493	2 654	2 557	2.57	(3.64)
Housing	3 027	2 527	2 571	2 508	(0.73)	(2.44)
	0	18 640	21 690	21 286	14.20	(1.86)
Total Revenue (excluding capital transfers and contributions)	5 977	23 660	26 915	26 847	13.47	(0.25)
Employee costs	25 544	28 138	26 838	28 315	0.63	5.50
Remuneration of Councillors	3 543	3 816	3 726	3 727	(2.33)	0.03
Depreciation & asset impairment	2 248	2	2	2 035	101 642.70	90 378.17
Finance charges	1 248	0	0	1 031	636 492.59	566 537.36
Transfers and grants	1 353	0	0	5 843	N/A	N/A
Other expenditure	119 761	16	22	9 099	56 968.84	42 187.75
Total Expenditure	153 699	31 972	30 588	50 051	56.54	63.63
Surplus/(Deficit)	(147 722)	(8 312)	(3 673)	(23 203)	179.15	531.79
Transfers recognised - capital	0	0	0	0	N/A	N/A
Contributions recognised - capital and contributed assets	0	0	0	0	N/A	N/A
Surplus/(Deficit) after capital transfers and contributions	(147 722)	(8 312)	(3 673)	(23 203)	179.15	531.79
Capital expenditure and funds sources						
Capital expenditure						
Borrowing	0	0	0	0	N/A	N/A
Internally generated funds	0	0	0	0	N/A	N/A
Total sources of capital funds	0	0	0	0	N/A	N/A
Financial position						
Total current assets	923	1	3	722	76 435.28	22 605.63
Total non-current assets	32 235	13 221	10 983	12 597	(4.72)	14.69
Total current liabilities	111 287	2 809	2 809	9 901	252.47	252.47

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Description	2014/15	2015/16			2015/16 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
	R'000				%	
Total non-current liabilities	16 084	1 265	1 265	14 480	1 044.81	1 044.81
Community wealth/equity	(11 656)	10	10	(11 062)	(109 725.53)	(109 725.53)
Cash flows						
Net cash from (used) operating	(1 827)	(1 323)	1 157	1 876	(241.83)	62.11
Net cash from (used) investing	(1 975)	0	(11)	(688)	N/A	6 154.01
Net cash from (used) financing	743	(629)	(629)	(1 163)	84.89	84.89
Cash/cash equivalents at the year end	(3 059)	(1 952)	517	25	(101.30)	(95.09)

Table 134: Financial Performance 2015/16

The table below shows a summary of performance against budgets:

Financial Year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	%	Budget	Actual	Diff.	%
	R'000				R'000			
2014/15	39 826	41 534	1 708	4.29	44 976	44 571	405	(1.36)
2015/16	46 735	50 557	3 772	8.06	50 091	49 559	532	0.20

Table 135: Performance Against Budgets

5.1.1 Revenue Collection by Vote

The table below indicates the revenue collection performance by vote:

Vote Description	2014/15	2015/16			2015/16 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
	R'000				%	
Executive and Council	3 282	2 711	3 211	2 506	(7.55)	(21.94)
Budget and Treasury Office	18 837	20 281	21 277	20 804	2.58	(2.22)
Corporate Services	165	0	80	142	N/A	77.56
Public Safety	315	700	700	349	(50.14)	(50.14)
Housing	1 030	0	970	1 000	N/A	3.09
Planning and Development	12 840	18 640	21 690	21 286	14.20	(1.86)
Shared Service	4 250	4 403	4 899	3 976	(9.69)	(18.83)
Municipal Manager	1	0	0	0	N/A	N/A
Total Revenue by Vote	40 720	46 735	52 827	50 064	7.12	(5.23)

Table 136: Revenue by Vote

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5.1.2 Revenue Collection by Source

The table below indicates the revenue collection performance by source for the 2015/16 financial year:

Description	2014/15	2015/16			2015/16 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
	R'000				%	
Public Safety	0	700	700	349	(50.14)	(50.14)
Housing	0	0	970	1 000	N/A	3.09
Planning and Development	0	18 640	21 690	21 286	14.20	(1.86)
Rentals of facilities and equipment	175	0	80	142	N/A	77.56
Interest earned - external investments	356	205	405	495	141.70	22.34
Transfers recognised - operational	37 579	41 857	46 327	46 413	10.89	0.19
Other revenue	3 424	4 723	6 015	3 506	(25.76)	(41.71)
Total Revenue (excluding capital transfers and contributions)	41 534	66 125	76 107	73 193	10.69	(3.93)

Table 137: Revenue Collection by Source

5.1.3 Operational Services Performance

The table below indicates the Operational services performance for the 2015/16 financial year:

Description	2014/15	2015/16			2015/16 Variance	
	Actual	Original Budget	Adjust-ments Budget	Actual	Original Budget	Adjust-ments Budget
	R'000				%	
Operating Cost						
Roads and Stormwater	0	0	0	0	N/A	N/A
Component A: sub-total	0	0	0	0	N/A	N/A
Housing	3 027	2 527	2 571	2 508	(0.73)	(2.44)
Planning and Development	3 003	6 471	10 151	8 749	35.20	(13.81)
Component B: sub-total	6 030	8 998	12 722	11 258	25.11	(11.51)
Municipal Health	2 137	2 966	2 709	2 831	(4.55)	4.51
Component C: sub-total	2 137	2 966	2 709	2 831	(4.55)	4.51
Disaster Management	2 594	2 493	2 654	2 557	2.57	(3.64)
Component D: sub-total	2 594	2 493	2 654	2 557	2.57	(3.64)
Executive and Council	7 317	7 553	7 535	7 068	(6.42)	(6.19)
Corporate Services	12 743	14 362	15 170	12 578	(12.42)	(17.08)
Budget and Treasury	7 525	6 866	7 302	7 002	1.98	(4.12)
Procurement Services	0	0	0	0	N/A	N/A
Internal Audit	5 199	5 357	4 825	4 627	(13.62)	(4.09)

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Description	2014/15	2015/16			2015/16 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
	R'000				%	
Component E: sub-total	32 784	34 138	34 832	31 276	(8.39)	(10.21)
Municipal Manager	1 554	1 495	1 593	1 547	3.49	(2.87)
Component F: sub-total	1 554	1 495	1 593	1 547	3.49	(2.87)
Total Expenditure	45 099	50 091	54 510	49 469	(1.24)	(9.25)

Table 138: Operational Services Performance

5.2 GRANTS

5.2.1 Grant Performance

The municipality had a total amount of R46.4 million available that was received in the form of grants from the national and provincial governments during the 2015/16 financial year. The performance in the spending of these grants is summarised as follows:

Description	2014/15	2015/16			2015/16 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
	R'000				%	
National Government:	35 236	38 500	0	38 497	(0.01)	
Equitable share	32 052	35 320	0	35 320	0.00	N/A
Municipal Systems Improvement	934	930	0	930	0	N/A
Expanded Public Works Programme	1 000	1 000	0	997	(0.27)	N/A
Finance Management Grant	1 250	1 250	0	1 250	0.00	N/A
Provincial Government:	1 800	2 015	0	1 818	(9.80)	N/A
Housing	1 030	1 000	0	1 000	0.00	N/A
Integrated Public Transport Grant	770	1 015	0	818	(19.45)	N/A
Other grant providers:	630	6 857	0	6 098	(11.07)	N/A
Health Subsidy	-	500	0	493	(1.45)	N/A
NEAR	630	700	0	349	(50.14)	N/A
RAMS	-	2 657	0	2 625	(1.20)	N/A
COGHTA	-	3 000	0	2 631	(12.30)	N/A
Total Operating Transfers and Grants	37 666	47 372	0	46 413	(2.02)	N/A

Table 139: Grant Performance for 2015/16

CHAPTER 5: FINANCIAL PERFORMANCE

5.3 FINANCIAL RATIO'S BASED ON KEY PERFORMANCE INDICATORS

5.3.1 Liquidity Ratio

Description	Basis of Calculation	2014/15	2015/16
Current ratio	Current assets/current liabilities	0.08	0.07
Liquidity ratio	Monetary Assets/Current Liabilities	0.09	0.05

Table 140: Liquidity Financial Ratio

5.3.2 IDP Regulation Financial Viability Indicators

Description	Basis of Calculation	2014/15	2015/16
Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.00	0.00
Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	0.77	0.35

Table 141: Financial Viability National KPs

5.3.3 Borrowing Management

Description	Basis of Calculation	2014/15	2015/16
Capital charges to operating expenditure	Interest and Principal Paid /Operating Expenditure	0.02	0.05

Table 142: Borrowing Management

5.3.4 Employee Costs

Description	Basis of Calculation	2014/15	2015/16
Employee costs	Employee costs/(Total Revenue - capital revenue)	63.74	64.20

Table 143: Employee Costs

5.3.5 Repairs and Maintenance

Description	Basis of Calculation	2014/15	2015/16
		Audited Outcome	Pre-Audit Outcome
Repairs and maintenance	RandM/(Total revenue excluding capital revenue)	2.06%	1.92%

Table 144: Repairs and Maintenance

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COMPONENT B: CASH FLOW MANAGEMENT AND INVESTMENTS

5.4 CASH FLOW

Description	2014/15	2015/16		
	Actual	Original Budget	Adjusted Budget	Audited Outcome
	R'000	R'000	R'000	R'000
Cash Flow from Operating Activities				
Receipts				
Government - operating	0	41 807	46 327	47 175
Government - capital	0	4 723	6 015	0
Interest	0	205	405	495
Other receipts	0	0	0	3 221
Payments				
Suppliers and employees	0	(31 954)	(30 564)	(47 984)
Finance charges	0	(160)	(180)	(1 031)
Transfers and Grants	0	(15 944)	(20 846)	-
Net cash from/(used) operating activities	0	(1 323)	1 157	1 876
Cash Flows from Investing Activities				
Receipts				
Proceeds on disposal of PPE	0	0	0	417
Proceeds on Disposal of Fixed Assets	0	0	0	0
Purchase of Intangible Assets	0	0	0	0
Decrease/(increase) in non-current receivables	0	0	0	0
Payments				
Capital assets	0	0	(11)	(1 105)
Net cash from/(used) investing activities	0	0	(11)	(688)
Cash Flows from Financing Activities				
Receipts				
Short term loans	0	0	0	0
Borrowing long term/refinancing	0	0	0	0
Increase (decrease) in consumer deposits	0	0	0	0
Payments				
Repayment of borrowing	0	(629)	(629)	(1 163)
Net cash from/(used) financing activities	0	(629)	(629)	(1 163)
Net increase/(decrease) in cash held	0	(1 952)	517	25
Cash/cash equivalents at the year begin:	0	8 359	3 584	525
Cash/cash equivalents at the year-end:	0	6 407	4 101	550

Table 145: Cash flow

CHAPTER 5: FINANCIAL PERFORMANCE

5.5 BORROWING AND INVESTMENTS

Money not immediately required is invested within a timeframe of 1 month to 12 months.

The Investment Policy is approved and gives effect to regulations.

5.5.1 Actual Borrowings

Instrument	2014/15	2015/16
	R'000	
Long-term loans (annuity/reducing balance)	1 892	1 262
Financial leases	1 646	1 112
Municipality Total	3 537	2 374

Table 146: Actual Borrowings

5.7.2 Municipal Investments

Investment Type	2014/15	2015/16
	R'000	
Deposits – Bank	277	451
Municipality Total	277	451

Table 147: Municipal Investments

COMPONENT C: OTHER FINANCIAL MATTERS

5.6 SUPPLY CHAIN MANAGEMENT

Management has developed a new SCM Policy which includes the SCM system and processes to be used by the municipality. Standard operating procedures for SCM was develop during the year which includes the bid committee, complaints and abuse of supply chain. The new Preferential Procurement Policy Framework policy was develop and approved by Council.

No Councillor is members of any committee handling the supply chain processes.

5.7 GRAP COMPLIANCE

GRAP is the acronym for Generally Recognized Accounting Practice and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance ensure that municipal accounts are comparable and more informative for the municipality. It also ensure that the municipality is more accountable to its citizens and other stakeholders

The financial statements of 2015/16 is fully GRAP compliant.

CHAPTER 6: AUDITOR-GENERAL OPINION

CHAPTER 6

COMPONENT A: AUDITOR-GENERAL OPINION 2015/16

6.1 AUDITOR-GENERAL REPORT 2015/16

2015/16	
Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
Material impairment	
The municipality had receivables from exchange transactions totalling R1 735 504. A provision of R1 567 564 was created for irrecoverable debt relating to shared services and bonuses paid incorrectly	The outstanding debt is a result of shared services rendered to local municipalities. Will be tabled before Council to write off. Financial assistance has been received from Provincial Treasury to assist in this regard
Growing concern	
The municipality has a net liability position of R11 062 312 as at 30 June 2016 (2015: R11 656 109) and as at that date, current cash reserves are not sufficient to settle overdue outstanding short term debt. These conditions indicate the existence of material uncertainty that may cast significant doubt on the municipality's ability to operate as a growing concern	The municipality can do nothing in this regard as our assets is less than our liabilities. We sold some of our assets to assist with our financial position. We are also grant dependant which leads to the fact that we are a going concern
Predetermined objectives	
The annual performance report of the municipality was provided without complete and accurate underlying records for the year under review as required by Section 25 of the MSA and Section I, 21 and 53 of the MFMA	The Municipality has engaged the services of a service provider to assist and ensure that the performance information submitted will meet the requirements as stated in the AG report
Financial statements, performance and annual reports	
The 2014/15 annual report was not tabled in the Municipal Council within 7 months after the end of the financial year, as required by Section 127(2) of the MFMA	The 2015/16 annual report will be tabled before Council on 30 January 2017 which is within the required timeframe
Procurement and contract management	
Goods and services of a transaction value above R200 000 were produced without inviting competitive bids, as required by SCM regulation 19(a)	The SCM procedures will be implemented and followed to the letter
Human resource management and compensation	
The annual report of the municipality did not reflect information on compliance with prescribed minimum competencies as required by the Municipal Regulations on Minimum Competency Levels 14(2)(b)	The annual report will have a paragraph that will speak to the issues of minimum competency requirements for all senior managers, SCM officials and other financial officers
Expenditure management	
Reasonable steps were not taken to prevent irregular expenditure, as required by Section 62(1)(d) of the MFMA	The SCM procedures will be implemented and followed to the latter
Revenue management	
Interest was not charged on all accounts in arrears, as required by Section 64(2)(g) of the MFMA	We will revisit the existing contracts (where possible) with tenants
Strategic planning and performance management	
The adopted integrated development plan (IDP) did not reflect and identify a financial plan, as required by Sections 26 and 41 of the MSA	The IDP will include a financial plan

Table 148: AG report 2015/16

DRAFT

LIST OF ABBREVIATIONS

LIST OF ABBREVIATIONS

AG	Auditor-General
PKSDM	Pixley Ka Seme District Municipality
CAPEX	Capital Expenditure
CBP	Community Based Planning
CFO	Chief Financial Officer
COGHSTA	Cooperative Governance, Human Settlements & Traditional Affairs
DM	District Municipality
DPLG	Department of Provincial and Local Government
DWAF	Department of Water Affairs and Forestry
ECD	Early Childhood Development
EE	Employment Equity
GAMAP	Generally Accepted Municipal Accounting Practice
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
IDP	Integrated Development Plan
IFRS	International Financial Reporting Standards
IMFO	Institute for Municipal Finance Officers
KPA	Key Performance Area
KPI	Key Performance Indicator
LED	Local Economic Development
LM	Local Municipality
MAYCO	Executive Mayoral Committee
MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
MMC	Member of the Mayoral Committee
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MMC	Member of Mayoral Committee
MSA	Municipal Systems Act No. 32 of 2000

LIST OF ABBREVIATIONS

NGO	Non-governmental organisation
NT	National Treasury
OPEX	Operating expenditure
PMS	Performance Management System
PPP	Public Private Partnership
PT	Provincial Treasury
SALGA	South African Local Government Association
SAMDI	South African Management Development Institute
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework
SLA	Service Level Agreement
WHO	World Health Organisation

ANNEXURE A:
AUDITED
FINANCIAL
STATEMENTS



PIXLEY-KA-SEME DISTRICT MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2016**

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

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PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

GENERAL INFORMATION

Members of the Council:

JZ Lolwana	Mayor
MT Kibi	Speaker
UR Itumeleng	Member
GL Nkumbi	Member
TA Sintu	Member
NS Thomas	Member
KJ Arens	Member
ME Bitterbos	Member
WJ du Plessis	Member
A Fritz	Member
JH George	Member
J Grobbelaar	Member
DP Jason	Member
P Louw	Member
EL Schultz	Member
PN Signeur	Member
LC van Niekerk	Member
FM van Wyk	Member

Municipal Manager: RE Pieterse

Chief Financial Officer: BF James

Grading of Local Authority: Grade 3

Auditors: Auditor-General

Bankers: ABSA Bank Limited

Registered Office: Culvert Road
De Aar
7000

Physical Address: Culvert Road
De Aar
7000

Postal Address: Private Bag X1012
De Aar
7000

Telephone Number: (053) 632 0891

Fax Number: (053) 631 2529

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 89, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager: RE Pieterse

31 August 2016

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Pixley-ka-Seme District Municipality at 30 June 2016.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2015/2016 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2016 indicates a increase in Net Assets, a decrease in Non-current Liabilities and a decrease in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The decrease in Non-current Liabilities is primarily as a result of the decreases in Retirement Benefit Liabilities and Long-service Benefits. The decrease in Current Liabilities is primarily as a result of the decrease in Payables.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the Municipality.

2.1 Financial Statement Ratios:

INDICATOR	2016	2015
Surplus / (Deficit) before Appropriations	(11 062 312)	(11 656 109)
Surplus / (Deficit) at the end of the Year	593 798	(4 379 450)
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	56.55%	55.64%
Remuneration of Councillors	7.44%	7.72%
Depreciation and Amortisation	4.06%	4.90%
Impairment Losses	0.25%	1.89%
Repairs and Maintenance	0.48%	0.66%
Interest Paid	2.06%	2.72%
Contracted Services	0.48%	0.12%
Grants and Subsidies Paid	11.88%	2.95%
General Expenses	15.36%	21.63%
Loss on Disposal of Property, Plant and Equipment	1.43%	1.77%
Current Ratio:		
Trade Creditors Days	39	10
Debtors from Exchange Transactions Days	152	61

The extremely poor ratio for Debtors Days, calculated on net Debtors, is because of bad debts in the amount of R1 567 564 (2015: R1 427 690) provided for at year end and the immaterial increase in the Provision for Impairment, which renders a unfavourable ratio for the year.

2.2 Performance Indicators:

INDICATOR	2016	2015
Financial Position		
Debtors Management:		
Outstanding Debtors to Revenue	1.15%	38.49%
Outstanding Service Debtors to Revenue	1.15%	38.49%

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

2. KEY FINANCIAL INDICATORS (continued)

INDICATOR	2016	2015
Liquidity Management: Liquidity Ratio	0.07	0.08
Liability Management: Capital Cost as percentage of Own Revenue	(0.26)%	1.05%
Borrowed Funding as percentage of Own Capital Expenditure	-	58.04%
Borrowing as percentage of Total Capital Assets	(183.05)%	(174.93)%
Safety of Capital: Gearing	(183.05)%	(174.93)%
Financial Viability: Debt Coverage	57.30%	77.03%
Cost Coverage	(0.25)	(0.10)
Financial Performance		
Expenditure Management: Creditors to Cash and Investments	100.00%	100.00%

A detailed ratio analysis, together with explanations, is included in Appendix "H".

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

The services offered by Pixley-ka-Seme District Municipality can generally be classified as General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2016 are as follows:

DETAILS	Actual 2016 R	Actual 2015 R	Percentage Variance %	Budgeted 2016 R	Variance Actual/ Budgeted %
Income:					
Opening surplus / (deficit)	(11 656 109)	(6 337 372)	83.93%	11 776 000	(198.98)%
Operating income for the year	50 663 291	41 534 174	21.98%	52 827 000	(4.10)%
Appropriation for the year	-	(939 287)			
	39 007 181	34 257 515		64 603 000	
Expenditure:					
Operating expenditure for the year	50 069 493	45 913 625	9.05%	54 512 000	(8.15)%
Closing surplus / (deficit)	(11 062 312)	(11 656 109)	(5.09)%	10 091 000	-209.63%
	39 007 181	34 257 515		64 603 000	

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

3. OPERATING RESULTS (continued)

3.1 General Services:

Rates and General Services are all types of services rendered by the Municipality, excluding those listed below. The main income sources are Sundry Fees levied.

DETAILS	Actual 2016 R	Actual 2015 R	Percentage Variance %	Budgeted 2016 R	Variance Actual/ Budgeted %
Income	45 194 162	35 439 769	27.52%	46 958 000	(3.76)%
Expenditure	(46 124 313)	(40 359 374)	14.28%	(50 947 656)	(9.47)%
Surplus / (Deficit)	(930 151)	(4 919 604)		(3 989 656)	
Surplus / (Deficit) as % of total income	(2.06)%	(13.88)%		(8.50)%	

Variance from 2015 actual:

The Municipality generated significantly higher Income from Grants, due to additional grants being allocated to the Municipality. The expenditure was placed under pressure due to unforeseen Repairs and Maintenance and General Expenditure being incurred and the Finance Cost on Finance Leases not being budgeted for.

Variance from 2016 budget:

The Municipality generated significantly higher Income from Grants, due to additional grants being allocated to the Municipality.

3.2 Housing Services:

Housing Services are services rendered by the Municipality to supply housing to the community and includes the rental of units owned by the Municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2016 R	Actual 2015 R	Percentage Variance %	Budgeted 2016 R	Variance Actual/ Budgeted %
Income	1 000 000	1 030 000	(2.91)%	970 000	100.00%
Expenditure	(2 508 441)	(3 027 126)	(17.13)%	(2 571 200)	(2.44)%
Surplus / (Deficit)	(1 508 441)	(1 997 126)		(1 601 200)	
Surplus / (Deficit) as % of total income	(150.84)%	(193.90)%		(165.07)%	

Variance from 2015 actual:

Management still remains dedicated to cut unnecessary expenditure, which resulted in the decrease in the Housing Department.

Variance from 2016 budget:

The Municipality did not budget for Income to be generated by the this department.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

3. OPERATING RESULTS (continued)

3.3 Shared Services:

Shared Services are services rendered by the Municipality to other municipalities in the form of Internal Audit Services. Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2016 R	Actual 2015 R	Percentage Variance %	Budgeted 2016 R	Variance Actual/ Budgeted %
Income	3 976 382	4 249 789	(6.43)%	4 899 000	(18.83)%
Expenditure	(943 991)	(1 712 509)	(44.88)%	(993 143)	(4.95)%
Surplus / (Deficit)	3 032 391	2 537 280		3 905 857	
Surplus / (Deficit) as % of total income	76.26%	59.70%		79.73%	

Variance from 2015 actual:

The movement in the Provision in Impairment is significantly lower than in previous financial years, as a number of Shared Service Debtors were recovered.

Variance from 2016 budget:

No material fluctuations were identified.

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R1 105 241 (2015: R2 603 517). Full details of Assets are disclosed in Notes 6, 7, 8 and Appendices "B, C and E (4)" to the Annual Financial Statements.

The capital expenditure of R1 105 241 was financed as follows:

DETAILS	Actual 2016 R	Actual 2015 R	Percentage Variance %	Budgeted 2016 R	Variance Actual/ Budgeted %
External Loans	-	1 511 000	(100.00)%	-	-
Grants and Subsidies	-	-	-	-	-
Own Funds (Accumulated Surplus)	1 105 241	1 092 517	1.16%	11 000	9947.65%
	1 105 241	2 603 517		11 000	

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2016	2015
Capital Replacement Reserve	-	-
External Loans	-	58.04%
Grants and Subsidies	-	-
Own Funds (Accumulated Surplus)	100.00%	41.96%
	100.00%	100.00%

Capital Assets are funded to a great extent from External Loans as the Municipality does not have the financial resources to finance certain required capital expenditure from its own funds.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2016	2015
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	(1 685 000)	(7 942 000)
Revenue variances	(2 163 709)	(80 826)
Expenditure variances:		
Employee Related Costs	(1 477 405)	309 606
Remuneration of Councillors	(1 252)	88
Depreciation and Amortisation	214 146	521
Impairment Losses	(123 327)	521 454
Repairs and Maintenance	(40 067)	129 209
Finance Costs	(849 280)	250 555
Contracted Services	1 010 700	1 068 070
Grants and Subsidies Paid	(5 950 023)	(813 287)
General Expenses	12 376 884	2 496 774
Loss on Disposal of Property, Plant and Equipment	(717 870)	(319 615)
Actual surplus before appropriations	593 798	(4 379 450)

DETAILS	2016	2015
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	(1 685 000)	(7 940 000)
Administration	364 615	49 178
Finance	2 118 701	3 135 807
Development and Infrastructure	(22 083)	41 349
Environmental Health	(123 860)	111 780
Housing	92 759	96 874
Internal Audit	148 407	139 802
Council Expenses	(237 975)	(279 807)
Municipal Manager	45 700	68 443
I D P	1 020 234	875 626
Protection Services	(254 234)	(229 783)
Shared Services	(873 466)	(448 720)
Actual surplus before appropriations	593 798	(4 379 450)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

5. RECONCILIATION OF BUDGET TO ACTUAL (continued)

5.2 Capital Budget:

DETAILS	Actual 2016 R	Actual 2015 R	Percentage Variance %	Budgeted 2016 R	Variance Actual/ Budgeted %
Finance and Administration	1 105 241	2 603 517	(57.55)%	11 000	9947.65%
	1 105 241	2 603 517		11 000	

Details of the results per segmental classification of capital expenditure are included in Appendix "C" and in Appendix "E (4)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2016 amounted to R(11 062 312) (2015: R(11 656 109)) and is made up as follows:

Accumulated Surplus	(11 062 312)
	<u>(11 062 312)</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the Municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 23 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2016 was R861 949 (2015: R2 413 934).

No new loans (2015: R1 511 000) were taken up during the financial year to enable the Municipality to finance part of its capital requirements for the year.

Refer to Note 12 and Appendix "A" for more detail.

8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R13 618 424 as at 30 June 2016 (2015: R13 670 447) and is made up as follows:

Ex-Gratia Benefit Liability	69 859
Post-retirement Health Care Benefits Liability	13 548 565
	<u>13 618 424</u>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the Municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 13 for more detail.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

9. CURRENT LIABILITIES

Current Liabilities amounted R9 901 368 as at 30 June 2016 (2015: R11 128 610) and is made up as follows:

Provisions	Note 9	1 180 404
Payables from Exchange Transactions	Note 10	4 822 890
Unspent Conditional Grants and Receipts	Note 11	1 580 591
VAT Payable	Note 3	805 005
Current Portion of Long-term Liabilities	Note 12	1 512 479
		9 901 368

Current Liabilities are those liabilities of the Municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the Municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R11 712 603 as at 30 June 2016 (2015: R12 660 786).

Refer to Note 6 and Appendices "B, C and E (4)" for more detail.

11. INTANGIBLE ASSETS

The net value of Intangible Assets were R14 475 as at 30 June 2016 (2015: R37 374).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the Municipality in order to be able to fulfill its duties as far as service delivery is concerned.

Refer to Note 7 and Appendix "B" for more detail.

12. INVESTMENT PROPERTY

The net value of Investment Properties were R860 000 as at 30 June 2016 (2015: R1 953 700).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 8 and Appendix "B" for more detail.

13. CURRENT ASSETS

Current Assets amounted R722 492 as at 30 June 2016 (2015: R905 022) and is made up as follows:

Receivables from Exchange Transactions	Note 2	167 940
Cash and Cash Equivalents	Note 4	550 207
Operating Lease Assets	Note 5	4 346
		722 492

Refer to the indicated Notes for more detail.

14. INTER-GOVERNMENTAL GRANTS

The Municipality is dependent on financial aid from other government spheres to finance its annual capital programmed. Operating grants are utilized to finance the operations of the Municipality.

Refer to Notes 11 and 15, and Appendix "F" for more detail.

**PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016**

REPORT OF THE CHIEF FINANCIAL OFFICER

15. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 48.

16. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 August 2016

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Note	2016 R	2015 R
ASSETS			
Current Assets		722 492	905 022
Receivables from Exchange Transactions	2	167 940	380 221
VAT Receivable	3	-	-
Cash and Cash Equivalents	4	550 207	524 801
Current Portion of Operating Lease Receivables	5	4 346	-
Non-Current Assets		12 596 941	14 651 860
Property, Plant and Equipment	6	11 712 603	12 660 786
Intangible Assets	7	14 475	37 374
Investment Property	8	860 000	1 953 700
Operating Lease Receivables	5	9 863	-
Total Assets		13 319 434	15 556 882
LIABILITIES			
Current Liabilities		9 901 368	11 128 610
Current Portion of Employee Benefit Liabilities	9	1 180 404	1 086 384
Payables from Exchange Transactions	10	4 822 890	6 538 317
Unspent Conditional Grants and Receipts	11	1 580 591	925 119
VAT Payable	3	805 005	1 455 320
Current Portion of Long-term Liabilities	12	1 512 478.75	1 123 470.00
Non-Current Liabilities		14 480 373	16 084 381
Long-term Liabilities	12	861 949.23	2 413 934.00
Employee Benefit Liabilities	13	13 618 424	13 670 447
Total Liabilities		24 381 741	27 212 991
Total Assets and Liabilities		(11 062 307)	(11 656 109)
NET ASSETS		(11 062 312)	(11 656 109)
Accumulated Surplus / (Deficit)	14	(11 062 312)	(11 656 109)
Total Net Assets		(11 062 312)	(11 656 109)



PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 R	2015 R
REVENUE			
Revenue from Non-exchange Transactions			
Government Grants and Subsidies Received	15	46 519 539	37 578 893
Public Contributions and Donations	16	-	5 700
Revenue from Exchange Transactions			
Rental of Facilities and Equipment	17	142 046	174 928
Interest Earned - External Investments	18	495 478	355 980
Other Revenue	19	3 506 227	3 418 673
Profit on Disposal of Property, Plant and Equipment	30	-	-
Total Revenue		50 663 291	41 534 174
EXPENDITURE			
Employee Related Costs	20	28 315 405	25 544 394
Remuneration of Councillors	21	3 727 252	3 542 912
Depreciation and Amortisation	22	2 034 854	2 248 479
Impairment Losses	23	123 327	868 546
Repairs and Maintenance	25	241 067	302 791
Finance Costs	26	1 031 280	1 248 445
Contracted Services	27	239 300	56 930
Grants and Subsidies Paid	28	5 950 023	1 353 287
General Expenses	29	7 689 116	9 933 226
Loss on Disposal of Investment Property	30	717 870	814 615
Total Expenditure		50 069 493	45 913 625
SURPLUS / (DEFICIT) FOR THE YEAR		593 798	(4 379 450)
Refer to Budget Statement for explanation of budget variances			



PIXLEY-KA-SEME DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

Description	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R
2015		
Balance at 1 July 2014	(6 337 372)	(6 337 372)
Correction of Error (Note 32)	(939 287)	(939 287)
Restated Balance	(7 276 659)	(7 276 659)
Surplus / (Deficit) for the year	(4 379 450)	(4 379 450)
Interest allocated to Funds and Reserves	-	-
Donated / Contributed PPE	-	-
Balance at 30 June 2015	(11 656 109)	(11 656 109)
2016		
Restated Balance at 1 July 2015	(11 656 109)	(11 656 109)
Surplus / (Deficit) for the year	593 798	593 798
Interest allocated to Funds and Reserves	-	-
Donated / Contributed PPE	-	-
Balance at 30 June 2016	(11 062 312)	(11 062 312)

Details on the movement of the Funds and Reserves are set out in Note 14.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

		Actual	
	Note	2016 R	2015 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Government Grant and Subsidies		47 175 011	37 672 711
Public Contributions and Donations		-	4 300
Interest Received		495 478	355 979
Other Receipts		3 123 530	4 406 495
Payments			
Employee Related Costs		(28 027 775)	(26 366 990)
Remuneration of Councillors		(3 727 252)	(3 542 912)
Interest Paid		(1 031 280)	(1 248 445)
Suppliers Paid		(13 523 846)	(13 107 644)
Other Payments		(2 607 544)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	34	<u>1 876 322</u>	<u>(1 826 506)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	6	(1 105 241)	(2 603 517)
Proceeds on Disposal of Investment Property	30	417 300	628 173
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(687 941)</u>	<u>(1 975 344)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings	12	-	1 511 000
Repayment of Borrowings	12	(1 162 976)	(768 223)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(1 162 976)</u>	<u>742 777</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>25 405</u>	<u>(3 059 073)</u>
Cash and Cash Equivalents at Beginning of Period	4	524 802	3 583 875
Cash and Cash Equivalents at End of Period	4	550 207	524 802



PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Receivables from Exchange Transactions	-	2 140 099	2 140 099	-	-	2 140 099	167 940	-	(1 972 159)	(92.15)%	(100.00)%
VAT Receivable	-	-	-	-	-	-	-	-	-	-	-
Cash and Cash Equivalents	944 000	97 901	1 041 901	-	-	1 041 901	550 207	-	(491 694)	(47.19)%	(41.72)%
Current Portion of Operating Lease Receivables	-	-	-	-	-	-	4 346	-	4 346	100.00%	100.00%
Non-Current Assets											
Property, Plant and Equipment	13 172 998	(2 238 000)	10 934 998	-	-	10 934 998	11 712 603	-	777 605	7.11%	(11.09)%
Intangible Assets	48 000	-	48 000	-	-	48 000	14 475	-	(33 525)	(69.84)%	(69.84)%
Investment Property	-	-	-	-	-	-	860 000	-	860 000	100.00%	100.00%
Operating Lease Receivables	-	-	-	-	-	-	9 863	-	9 863	100.00%	100.00%
Total Assets	14 164 998	-	14 164 998	-	-	14 164 998	13 319 434	-	(845 564)		
Current Liabilities											
Current Portion of Employee Benefit Liabilities	1 223 132	-	1 223 132	-	-	1 223 132	1 180 404	-	(42 728)	(3.49)%	(3.49)%
Payables from Exchange Transactions	1 586 000	-	1 586 000	-	-	1 586 000	4 822 890	-	3 236 890	204.09%	204.09%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	1 580 591	-	1 580 591	100.00%	100.00%
VAT Payable	-	-	-	-	-	-	805 005	-	805 005	100.00%	100.00%
Current Portion of Long-term Liabilities	-	-	-	-	-	-	1 512 479	-	1 512 479	100.00%	100.00%
Non-Current Liabilities											
Long-term Liabilities	1 264 866	-	1 264 866	-	-	1 264 866	861 949	-	(402 917)	(31.85)%	(31.85)%
Retirement Benefit Liabilities	-	-	-	-	-	-	13 618 424	-	13 618 424	100.00%	100.00%
Total Liabilities	4 073 998	-	4 073 998	-	-	4 073 998	24 381 741	-	20 307 743		
Total Assets and Liabilities	10 091 000	-	10 091 000	-	-	10 091 000	(11 062 312)	-	(21 153 308)		
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	10 091 000	-	10 091 000	-	-	10 091 000	(11 062 312)	-	(21 153 312)	(209.63)%	(209.63)%
Total Net Assets	10 091 000	-	10 091 000	-	-	10 091 000	(11 062 312)	-	(21 153 312)		
Financial Position: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:											
Receivables from Exchange Transactions:											
The Municipality budgeted for all Receivables to be recovered during the year. This actual outcome did not support management's plans as certain Shared Service Debtors cannot meet their financial responsibilities.											
Cash and Cash Equivalents:											
During the current year a VAT audit was concluded, resulting in the Municipality being assessed for outstanding VAT. This balance is being repaid and a number of VAT Receivable amounts have been withheld by SARS placing pressure on the Cash and Cash Equivalents balance at yearend.											
Operating Lease Assets:											
At the previous yearend, a number of rental contracts were not yet concluded and the Operating Lease Asset balance at yearend was R0. These contracts were however concluded in the current year, resulting in an Operating Lease Asset being recognised.											
Intangible Assets:											
The decrease is due to the Amortisation Expense in the current year and the fact that no new Intangible Assets were purchased during the year.											
Investment Property:											
The Municipality is busy disposing of its Investment Property, and therefore no balance was budgeted for at yearend.											
Payables from Exchange Transactions:											
The material difference is attributed to the outstanding account of the Auditor-General, which has not been paid in full as budgeted for.											
Unspent Conditional Grants and Receipts:											
Although management attempts to employ all grant funds, certain conditions were not met resulting in the funds not being recognised as revenue.											
VAT Payable:											
During the current year a VAT audit was concluded, resulting in the Municipality being assessed for outstanding VAT. This balance is being repaid and a number of VAT Receivable amounts have been withheld by SARS.											
Long-term Liabilities:											
The under-budgeted balance is due to the Finance Lease entered into in the previous financial year.											
Retirement Benefit Liabilities:											
The Municipality did not budget for the Retirement Benefit Liability.											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Government Grants and Subsidies Received	41 857 000	4 470 000	46 327 000	-	-	46 327 000	46 519 539	-	192 539	0.42%	11.14%
Public Contributions and Donations	-	-	-	-	-	-	-	-	-	-	-
Revenue from Exchange Transactions											
Rental of Facilities and Equipment	-	80 000	80 000	-	-	80 000	142 046	-	62 046	77.56%	(30.71)%
Interest Earned - External Investments	205 000	200 000	405 000	-	-	405 000	495 478	-	90 478	22.34%	(89.51)%
Other Income	4 722 875	1 292 125	6 015 000	-	-	6 015 000	3 506 227	-	(2 508 773)	(41.71)%	(100.00)%
Total Revenue	46 784 875	6 042 125	52 827 000	-	-	52 827 000	50 663 291	-	(2 163 709)		
Expenditure											
Employee Related Costs	28 138 000	(1 300 000)	26 838 000	-	-	26 838 000	28 315 405	-	1 477 405	5.50%	0.63%
Remuneration of Councillors	3 816 000	(90 000)	3 726 000	-	-	3 726 000	3 727 252	-	1 252	0.03%	(2.33)%
Depreciation and Amortisation	2 000 000	249 000	2 249 000	-	-	2 249 000	2 034 854	-	(214 146)	(9.52)%	1.74%
Impairment Losses	-	-	-	-	-	-	123 327	-	123 327	100.00%	100.00%
Repairs and Maintenance	280 000	(79 000)	201 000	-	-	201 000	241 067	-	40 067	19.93%	(13.90)%
Finance Costs	162 000	20 000	182 000	-	-	182 000	1 031 280	-	849 280	466.64%	536.59%
Contracted Services	625 000	625 000	1 250 000	-	-	1 250 000	239 300	-	(1 010 700)	(80.86)%	(61.71)%
Grants and Subsidies Paid	-	-	-	-	-	-	5 950 023	-	5 950 023	100.00%	100.00%
General Expenses	15 039 000	5 027 000	20 066 000	-	-	20 066 000	7 689 116	-	(12 376 884)	(61.68)%	(48.87)%
Loss on Disposal of Investment Property	-	-	-	-	-	-	717 870	-	717 870	100.00%	100.00%
Total Expenditure	50 060 000	4 452 000	54 512 000	-	-	54 512 000	50 069 493	-	(4 442 507)		
Surplus/(Deficit)	(3 275 125)	1 590 125	(1 685 000)	-	-	(1 685 000)	593 798	-	2 278 798	(135.24)%	(118.13)%
Surplus/(Deficit for the Year)	(3 275 125)	1 590 125	(1 685 000)	-	-	(1 685 000)	593 798	-	2 278 798		
Financial Performance: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:											
Rental of Facilities and Equipment:											
The Municipality is busy disposing of its Investment Property, and therefore no balance was budgeted for at yearend. As all property was not sold, the Municipality generated Rental Income during the year.											
Interest Earned - External Investments:											
Although the Municipality had significant decrease in their Cash and Cash Equivalents, the funds were invested in Term and Call Deposits, which generated more income than budgeted for.											
Other Income:											
The Municipality is generating less income from their Shared Services due to other Municipalities experiencing financial difficulties.											
Impairment Losses:											
Based on historical information, the Municipality budgeted for impairment losses remaining at the same level. But, as Shared Services Debtors were recovered this expenditure decreased significantly.											
Repairs and Maintenance:											
Unforeseen Repairs and Maintenance expenditure occurred.											
Finance Costs:											
Finance cost on the Finance Leases resulted in the over expenditure.											
Contracted Services:											
Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on Contracted Services.											
Grants and Subsidies Paid:											
The Municipality received a number of Grants, which were not received in previous financial years and the funds were spent accordingly.											
General Expenses:											
Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on Contracted Services.											
Loss on Disposal of Investment Property:											
Unforeseen General Expenditure occurred.											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Finance and Administration	-	11 000	11 000	-	-	11 000	1 105 241	-	1 094 241	9947.65%	100.00%
Total Capital Expenditure	-	11 000	11 000	-	-	11 000	1 105 241	-	1 094 241		
<i>Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual</i>											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:											
Finance and Administration:											
A number of movable assets were acquired during the year, which the Municipality did not budget for.											

2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Grants	46 529 825	5 812 125	52 341 950	-	-	52 341 950	47 175 011	-	(5 166 939)	(9.87)%	1.39%
Interest Received	205 000	200 000	405 000	-	-	405 000	495 478	-	90 478	22.34%	141.70%
Other Receipts	-	-	-	-	-	-	3 123 530	-	3 123 530	100.00%	100.00%
Employee Related Costs	(28 138 000)	1 300 000	(26 838 000)	-	-	(26 838 000)	(28 027 775)	-	(1 189 775)	4.43%	(0.39)%
Remuneration of Councillors	(3 816 000)	90 000	(3 726 000)	-	-	(3 726 000)	(3 727 252)	-	(1 252)	0.03%	(2.33)%
Interest Paid	(160 000)	(20 000)	(180 000)	-	-	(180 000)	(1 031 280)	-	(851 280)	472.93%	544.55%
Suppliers Paid	(15 943 640)	(4 901 860)	(20 845 500)	-	-	(20 845 500)	(13 523 846)	-	7 321 654	(35.12)%	(15.18)%
Other Payments	-	-	-	-	-	-	(2 607 544)	-	(2 607 544)	(100.00)%	(100.00)%
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	-	(11 000)	(11 000)	-	-	(11 000)	(1 105 241)	-	(1 094 241)	9947.65%	#DIV/0!
Proceeds on Disposal of Investment Property	-	-	-	-	-	-	417 300	-	417 300	100.00%	100.00%
Cash Flows from/(used in) Financing Activities											
New Loans raised	-	-	-	-	-	-	-	-	-	-	-
Loans repaid	(629 000)	-	(629 000)	-	-	(629 000)	(1 162 976)	-	(533 976)	84.89%	84.89%
Cash and Cash Equivalents at End of the Year	(1 951 815)	2 469 265	517 450	-	-	517 450	25 405	-	(492 045)		
<i>Cash Flow: Explanation of Variances between Approved Budget and Actual</i>											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:											
Interest Received:											
Although the Municipality had significant decrease in their Cash and Cash Equivalents, the funds were invested in Term and Call Deposits, which generated more income than budgeted for.											
Interest Paid:											
Finance cost on the Finance Leases resulted in the over expenditure.											
Suppliers Paid:											
Unforeseen Repairs and Maintenance and General Expenditure occurred.											
Purchase of Property, Plant and Equipment:											
A number of movable assets were acquired during the year, which the Municipality did not budget for.											
Proceeds on Disposal of Property, Plant and Equipment:											
The Municipality is busy disposing of its Investment Property and as the potential proceeds were uncertain, none were budgeted for.											
Loans repaid:											
The under-budgeted balance is due to the Finance Lease entered into in the previous financial year.											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Receivables from Exchange Transactions	537 000	(537 000)	-	-	-	-	380 221	-	380 221	#DIV/0!	(29.20)%
VAT Receivable	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Cash and Cash Equivalents	8 528 000	2 882 000	11 410 000	-	-	11 410 000	524 801	-	(10 885 199)	(95.40)%	(93.85)%
Current Portion of Operating Lease Receivables	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Non-Current Assets											
Property, Plant and Equipment	12 193 000	355 000	12 548 000	-	-	12 548 000	12 660 786	-	112 786	0.90%	3.84%
Intangible Assets	48 000	-	48 000	-	-	48 000	37 374	-	(10 626)	(22.14)%	(22.14)%
Investment Property	-	-	-	-	-	-	1 953 700	-	1 953 700	#DIV/0!	#DIV/0!
Operating Lease Receivables	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Total Assets	21 306 000	2 700 000	24 006 000	-	-	24 006 000	15 556 882	-	(8 449 118)		
Current Liabilities											
Current Portion of Employee Benefit Liabilities	1 223 000	-	1 223 000	-	-	1 223 000	1 086 384	-	(136 616)	(11.17)%	(11.17)%
Payables from Exchange Transactions	3 869 000	(1 000 000)	2 869 000	-	-	2 869 000	6 538 317	-	3 669 317	127.90%	68.99%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	925 119	-	925 119	#DIV/0!	#DIV/0!
VAT Payable	-	-	-	-	-	-	1 455 320	-	1 455 320	#DIV/0!	#DIV/0!
Current Portion of Long-term Liabilities	629 000	-	629 000	-	-	629 000	1 123 470	-	494 470	78.61%	78.61%
Non-Current Liabilities											
Long-term Liabilities	1 266 000	-	1 266 000	-	-	1 266 000	2 413 934	-	1 147 934	90.67%	90.67%
Retirement Benefit Liabilities	16 292 000	-	16 292 000	-	-	16 292 000	13 670 447	-	(2 621 553)	(16.09)%	(16.09)%
Total Liabilities	23 279 000	(1 000 000)	22 279 000	-	-	22 279 000	27 212 991	-	4 933 991		
Total Assets and Liabilities	(1 973 000)	3 700 000	1 727 000	-	-	1 727 000	(11 656 109)	-	(13 383 109)		
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	(1 973 000)	3 700 000	1 727 000	-	-	1 727 000	(11 656 109)	-	(13 383 109)	(774.93)%	490.78%
Total Net Assets	(1 973 000)	3 700 000	1 727 000	-	-	1 727 000	(11 656 109)	-	(13 383 109)		
Financial Position: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:											
Receivables from Exchange Transactions:											
The Municipality budgeted for all Receivables to be recovered during the year. This actual outcome did not support management's plans as certain debtors were only invoices at yearend and other cannot meet their responsibilities financially.											
VAT Receivable:											
At yearend, the Municipality had not received all VAT Refunds owed to them by SARS. These refunds are expected to realise during the 2016 financial year.											
Cash and Cash Equivalents:											
The significant decrease in the Cash and Cash Equivalents is due to the decrease in the Grant and Subsidies received during the year, as well as the finalisation of a number of projects.											
Intangible Assets:											
The decrease is due to the Amortisation Expense in the current year and the fact that no new Intangible Assets were purchased during the year.											
Investment Property:											
The Municipality has not budgeted for the Investment Property balance, resulting in the material difference.											
Current Portion of Employee Benefit Liabilities											
The Budgeted figure did not take into account any payments made during the year, resulting in the difference.											
Payables from Exchange Transactions:											
The material difference is attributed to the outstanding account of the Auditor-General, which has not been paid in full as budgeted for.											
Unspent Conditional Grants and Receipts:											
Although management attempts to employ all grant funds, certain conditions were not met resulting in the funds not being recognised as revenue.											
Long-term Liabilities:											
The Municipality acquired Property, Plant and Equipment at a value of R1 511 000 through finance leases, which were not budgeted for.											
Retirement Benefit Liabilities:											
The Budgeted figure did not take into account any payments made during the year, resulting in the difference.											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Government Grants and Subsidies Received	35 816 000	700 000	36 516 000	-	-	36 516 000	37 578 893	-	1 062 893	2.91%	4.92%
Public Contributions and Donations	-	-	-	-	-	-	5 700	-	5 700	100.00%	100.00%
Revenue from Exchange Transactions											
Rental of Facilities and Equipment	-	24 000	24 000	-	-	24 000	174 928	-	150 928	628.87%	100.00%
Interest Earned - External Investments	155 000	25 000	180 000	-	-	180 000	355 980	-	175 980	97.77%	129.66%
Other Income	3 855 000	1 040 000	4 895 000	-	-	4 895 000	3 418 673	-	(1 476 327)	(30.16)%	(11.32)%
Total Revenue	39 826 000	1 789 000	41 615 000	-	-	41 615 000	41 534 174	-	(80 826)		
Expenditure											
Employee Related Costs	25 754 000	100 000	25 854 000	-	-	25 854 000	25 544 394	-	(309 606)	(1.20)%	(0.81)%
Remuneration of Councillors	3 567 000	(24 000)	3 543 000	-	-	3 543 000	3 542 912	-	(88)	(0.00)%	(0.68)%
Depreciation and Amortisation	2 120 000	129 000	2 249 000	-	-	2 249 000	2 248 479	-	(521)	(0.02)%	6.06%
Impairment Losses	1 010 000	380 000	1 390 000	-	-	1 390 000	868 546	-	(521 454)	(37.51)%	(14.01)%
Repairs and Maintenance	346 000	86 000	432 000	-	-	432 000	302 791	-	(129 209)	(29.91)%	(12.49)%
Finance Costs	1 483 000	16 000	1 499 000	-	-	1 499 000	1 248 445	-	(250 555)	(16.71)%	(15.82)%
Contracted Services	1 225 000	(100 000)	1 125 000	-	-	1 125 000	56 930	-	(1 068 070)	(94.94)%	(95.35)%
Grants and Subsidies Paid	230 000	310 000	540 000	-	-	540 000	1 353 287	-	813 287	150.61%	488.39%
General Expenses	9 563 000	2 867 000	12 430 000	-	-	12 430 000	9 933 226	-	(2 496 774)	(20.09)%	3.87%
Loss on Disposal of Investment Property	-	495 000	495 000	-	-	495 000	814 615	-	319 615	64.57%	100.00%
Total Expenditure	45 298 000	4 259 000	49 557 000	-	-	49 557 000	45 913 625	-	(3 643 376)		
Surplus/(Deficit)	(5 472 000)	(2 470 000)	(7 942 000)	-	-	(7 942 000)	(4 379 450)	-	3 562 550	(44.86)%	(19.97)%
Surplus/(Deficit for the Year)	(5 472 000)	(2 470 000)	(7 942 000)	-	-	(7 942 000)	(4 379 450)	-	3 562 550		
Financial Performance: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:											
Public Contributions and Donations											
The Municipality receive Dontaions amounting to R4 300. These were not budgeted for as these were unplanned sponsorships.											
Rental of Facilities and Equipment:											
A number of lease contracts were not valid and the Municipality did not budget to generate any revenue from these. However, the leasees still occupied the buildings and they were charged rental income on a month-to-month basis.											
Interest Earned - External Investments:											
Although the Municipality had significant decrease in their Cash and Cash Equivalents, the funds were invested in Term and Call Deposits, which generated more income than budgeted for.											
Other Income:											
No specific reason exists for the unbudgeted decrease.											
Impairment Losses:											
The variance is attributed to a number of Shared Service Debtors that cannot meet their financial responsibilities and were subsequently provided for as potential bad debt.											
Repairs and Maintenance:											
Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on Repairs and Maintenance.											
Finance Costs:											
Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on Finance Costs.											
Contracted Services:											
Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on Contracted Services.											
Grants and Subsidies Paid:											
The increase in the 2015 Expenditure is attributed to R648 067 incurred on a Housing Implementation Plan, which did not occur in the previous financial year.											
General Expenses:											
Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on General Expenses.											
Loss on Disposal of Investment Property:											
The Municipality sold a number of items during the year and was unfortunately not able to generate the budgeted proceeds from these sales.											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Finance and Administration	364 000	511 000	875 000	-	-	875 000	2 603 517	-	1 728 517	197.54%	615.25%
Total Capital Expenditure	364 000	511 000	875 000	-	-	875 000	2 603 517	-	1 728 517		
Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:											
Finance and Administration: The Municipality acquired Property, Plant and Equipment at a value of R1 511 000 through finance leases, which were not budgeted for.											

2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Grants	46 529 825	5 812 125	52 341 950	-	-	52 341 950	37 672 711	-	(14 669 239)	(28.03)%	(19.04)%
Public Contributions and Donations	-	-	-	-	-	-	4 300	-	4 300	#DIV/0!	#DIV/0!
Interest Received	4 927 825	1 492 125	6 419 950	-	-	6 419 950	355 979	-	(6 063 971)	(94.46)%	(92.78)%
Other Receipts	205 000	(249 000)	(44 000)	-	-	(44 000)	4 406 495	-	4 450 495	(10114.76)%	2049.51%
Employee Related Costs	(31 954 146)	1 389 795	(30 564 351)	-	-	(30 564 351)	(26 366 990)	-	4 197 361	(13.73)%	(17.48)%
Remuneration of Councillors	-	-	-	-	-	-	(3 542 912)	-	(3 542 912)	100.00%	100.00%
Interest Paid	(160 000)	(20 000)	(180 000)	-	-	(180 000)	(1 248 445)	-	(1 068 445)	593.58%	680.28%
Suppliers Paid	-	-	-	-	-	-	(13 107 644)	-	(13 107 644)	100.00%	100.00%
Other Payments	(15 943 640)	(4 901 860)	(20 845 500)	-	-	(20 845 500)	-	-	20 845 500	(100.00)%	(100.00)%
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	-	(11 000)	(11 000)	-	-	(11 000)	(2 603 517)	-	(2 592 517)	23568.34%	#DIV/0!
Proceeds on Disposal of Investment Property	-	-	-	-	-	-	628 173	-	628 173	#DIV/0!	#DIV/0!
Cash Flows from/(used in) Financing Activities											
New Loans raised	-	-	-	-	-	-	1 511 000	-	1 511 000	100.00%	100.00%
Loans repaid	(629 000)	-	(629 000)	-	-	(629 000)	(768 223)	-	(139 223)	22.13%	22.13%
Cash and Cash Equivalents at End of the Year	2 975 864	3 512 185	6 488 049	-	-	6 488 049	(3 059 073)	-	(9 547 122)		
Cash Flow: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:											
Interest Received Although the Municipality had significant decrease in their Cash and Cash Equivalents, the funds were invested in Term and Call Deposits, which generated more income than budgeted for.											
Remuneration of Councillors This was included in the Employee Related Costs.											
Interest Paid The Municipality acquired Property, Plant and Equipment at a value of R1 511 000 through finance leases, which were not budgeted for. This resulted in the material variance between the budgeted and actual finance cost paid.											
Suppliers Paid This was included in the Other Costs.											
Purchase of Property, Plant and Equipment: The Municipality acquired Property, Plant and Equipment at a value of R1 511 000 through finance leases, which were not budgeted for.											
Proceeds on Disposal of Property, Plant and Equipment: The Municipality sold a number of items during the year and was unfortunately not able to generate the budgeted proceeds from these sales.											
New Loans raised: The Municipality acquired Property, Plant and Equipment at a value of R1 511 000 through finance leases, which were not budgeted for.											
Loans repaid: Due to the aforementioned finance leases incurred, the actual repayments for the year exceed the budgeted figure.											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2016	2015
	R	R
Net Surplus/(Deficit) per the Statement of Financial Performance	593 798	(4 379 450)
Revenue from Non-exchange Transactions		
Government Grants and Subsidies Received	(192 539)	(1 062 893)
Public Contributions and Donations	-	(5 700)
Revenue from Exchange Transactions		
Rental of Facilities and Equipment	(62 046)	(150 928)
Interest Earned - External Investments	(90 478)	(175 980)
Other Revenue	2 508 773	1 476 327
Expenditure		
Employee Related Costs	1 477 405	(309 606)
Remuneration of Councillors	1 252	(88)
Depreciation and Amortisation	(214 146)	(521)
Impairment Losses	123 327	(521 454)
Repairs and Maintenance	40 067	(129 209)
Finance Costs	849 280	(250 555)
Contracted Services	(1 010 700)	(1 068 070)
Grants and Subsidies Paid	5 950 023	813 287
General Expenses	(12 376 884)	(2 496 774)
Loss on Disposal of Property, Plant and Equipment	717 870	319 615
Net Surplus/Deficit per Approved Budget	(1 685 000)	(7 942 000)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Changes In Accounting Policy And Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2016 and 30 June 2015, the Municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The Municipality changes an Accounting Policy only in the following instances:

- (a) if it is required by a Standard of GRAP; or
- (b) when it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations And Assumptions

In the application of the Municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 8.2 on Revenue from Exchange Transactions and Accounting Policy 8.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 7.1 on Financial Assets Classification and Accounting Policy 7.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the Municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. BASIS OF PRESENTATION (continued)

1.2.3 Impairment of Financial Assets

Accounting Policy 7.4 on Impairment of Financial Assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the Municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the Municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions is disclosed in note 2 to the AFS.

1.2.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4.2 and 5.2 the Municipality depreciates its property, plant and equipment and investment property, and amortises its intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write down of Property, Plant and Equipment, Investment Property and Intangible Assets

Accounting Policy 6 on Impairment of assets describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the Municipality. Significant estimates and judgements are made relating to property, plant and equipment impairment testing and Intangible assets impairment testing.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of non-Cash generating Assets and GRAP 26: Impairment of Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets involves significant judgment by management. During the year the estimated impairments to property, plant and equipment made are disclosed in note 6 to the AFS, whilst no impairments were made to intangible assets.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 10, the Municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the Municipality that were identified are Post-retirement Health Benefit Obligations. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 13 to the Annual Financial Statements.

1.2.8 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. BASIS OF PRESENTATION (continued)

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 20 Related Party Disclosures (Revised)
GRAP 32 Service Concession Arrangement Grantor
GRAP 105 Transfers between entities under common control - issued November 2010
GRAP 106 Transfers between entities not under common control - issued November 2010
GRAP 107 Mergers - issued November 2010
GRAP 108 Statutory Receivables

The Minister of Finance announced that the application of GRAP 25 for period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the Municipality.

2. NETT ASSETS

Included in the nett assets of the Municipality, are the following reserves that are maintained in terms of specific requirements:

2.1 Accumulated Surplus

The Municipality creates and maintains reserves which form part of the Accumulated Surplus in terms of specific requirements.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and if the cost or fair value of the item can be measured reliably.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

3.3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years
Buildings	30 - 100
Other	
Specialist Vehicles	5 - 20
Other Vehicles	5 - 10
Office Equipment	3 - 7
Furniture and Fittings	7 - 10

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the Municipality will obtain ownership by the end of the lease term.

3.6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3.7 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

4. INTANGIBLE ASSETS (continued)

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, intangible assets are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

After initial recognition, intangible assets are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. If the intangible asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the revaluation surplus. However, the increase is recognised in the Statement of Financial Performance to the extent that it reverses a revaluation decrease of the same intangible asset previously recognised in the Statement of Financial Performance.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

Intangible asset	Years
Software	3

Intangible assets are annually tested for impairment, including intangible assets not yet available for use, as per Accounting Policy 8: *Impairment of assets*. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The Municipality changed its accounting policy from GRAP 102 to GRAP 31 with no effect on the financial information disclosed previously.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

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The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the Municipality);
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties; and
- Property that is being constructed or developed for future use as investment property;

5.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in the Statement of Financial Performance for the period in which it arises.

5.3 Derecognition

An investment property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

6. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

6.1 Impairment of Cash generating assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

6.2 Impairment of Non-Cash generating assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
(i) to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

7. FINANCIAL INSTRUMENTS

The Municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The Municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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7. FINANCIAL INSTRUMENTS (continued)

7.1 Financial Assets - Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the Municipality are classified as follows into the three categories allowed by this standard:

- Financial Asset at fair value
- Financial Asset at fair amortised cost
- Financial Asset at cost

Financial asset at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The Municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Bank Balances and Cash	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Investments in Fixed Deposits	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

7.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

The Municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

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Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

7. FINANCIAL INSTRUMENTS (continued)

7.3 Initial and Subsequent Measurement

7.3.1 Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial asset at amortised cost.

Financial Assets measured at fair value are initially measured at fair value excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

7.3.2 Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

7.4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivable encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

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The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

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7. FINANCIAL INSTRUMENTS (continued)

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

7.5 Derecognition of Financial Assets

The Municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

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If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

7.6 Derecognition of Financial Liabilities

The Municipality derecognises Financial Liabilities when, and only when, the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

8. GRANTS AND RECEIPTS

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality, meet the definition and criteria for recognition of an asset.

A corresponding liability is recognised to the extent that the grant, transfer or donation recognised as an asset, is subject to conditions which require that the entity either consumes the future economic benefits or service potential of the asset as specified or that in the event that the conditions are breached the entity returns such future economic benefits or service potential to the transferor. The liability is transferred to revenue when the conditions attached to the grants, transfers or donations, are met. Grants, transfers or donations that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

9. REVENUE RECOGNITION

9.1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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9. REVENUE RECOGNITION (continued)

9.2 Revenue from Exchange Transactions

9.2.1 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

9.2.2 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

9.2.3 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

9.3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the Municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

9.3.1 Government Grants And Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

9.3.2 Revenue From Recovery Of Unauthorised, Irregular, Fruitless And Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

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10. PROVISIONS

Provisions for legal claims are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

10. PROVISIONS (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

11. EMPLOYEE BENEFITS

11.1 Short-Term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The Municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The Municipality recognises the expected cost of performance bonuses only when the Municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

11.2 Post-Employment Benefits

The Municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

11.2.1 Defined Contribution Plans

A defined contribution plan is a plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

11.2.2 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

11.3 Post-Retirement Health Care Benefits:

The Municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

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The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

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11.4 Defined Benefit Pension Plans

The Municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

11. EMPLOYEE BENEFITS (continued)

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

12. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

12.1 The Municipality As Lessee

Finance leases

Where the Municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The Municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

12.2 The Municipality As Lessor

Amounts due from lessees under finance leases or installment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or installment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

12.3 Determining Whether An Arrangement Contains A Lease

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At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

13. BORROWING COSTS

The Municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The Municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

14. GRANTS-IN-AID

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

15. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000) and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 31 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 32 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

20. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

21. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

22. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost and fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of Financial Performance.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

23. COMPARATIVE INFORMATION

23.1 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

23.2 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2015 to 30 June 2016.

24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

25. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

26. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the Statement of Financial Position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the Municipality.

27. IN-KIND DONATIONS AND CONTRIBUTIONS

In-kind Donations and Contributions are recognised when it is probable that future economic benefits or service potential will flow to the Municipality and these benefits can be measured reliably, except when specifically stated otherwise. In-kind Donations and Contributions are recognised at the fair value of the consideration received or receivable.

In the case of Donated Assets, the Donation is recognised at the fair value of the asset received.

28. PUBLIC PRIVATE PARTNERSHIPS

A PPP can generally be described as an agreement between a public sector entity (entity) and a private sector institution (private party). In terms of this the private party assumes some substantial financial, construction, technical and operational risks in the design, financing, building and operation of a project. It typically involves a private party that supplies an asset and/or services that previously were developed or provided by an entity. The private party provides a service to the public on behalf of the entity through the use of assets and/or the management of such an asset. In return, the private party is rewarded through payments from the entity. Such payments are based on service outputs delivered to specification, charges to users of such services, or a combination of these.

The definition of a PPP agreement in the MFMA identifies two broad categories of PPP agreements - one where the private party performs an institutional function on behalf of the entity, and the other where the private party acquires the use of state property for its own commercial purposes. The PPP agreement can also be a combination of these.

The Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers) (GRAP 23) states that control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives, and can exclude or otherwise regulate the access of others to that benefit. GRAP 23 requires that the ability to exclude or regulate the access of others to the benefits of an asset is an essential element of control that distinguishes an entity's assets from those public goods that all entities have access to and from which they benefit.

Under the control approach, the Municipality uses the following criteria to determine whether it controls the use of the underlying asset in the PPP agreement:

- The Municipality controls or regulates what services the private party must provide with the associated asset, to whom it must provide them and at what price.
- The Municipality controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the asset at the end of the agreement.

The control approach to assets that are developed, constructed, acquired or used in terms of PPP agreements. These assets are used by the private party to perform part of an entity's service delivery or administrative functions (institutional function).

The control approach is also applied to PPP agreements where the Municipality provides the private party with an existing asset, and the private party upgrades, operates and maintains the asset for a specified period of time. If the PPP agreement requires the private party to use its own asset, the Municipality only recognises the asset in its financial statements if both the control approach criteria are met.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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R

1. GENERAL INFORMATION

Pixley-ka-Seme District Municipality (the Municipality) is a local government institution in De Aar, Northern Cape Province. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the Municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2016			
Other Receivables	1 735 504	(1 567 564)	167 940
Property Rental Debtors	-	-	-
Shared Services	1 453 140	(1 391 125)	62 015
Sundry Debtors	282 364	(176 439)	105 925
Total Receivables from Exchange Transactions	1 735 504	(1 567 564)	167 940

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2015			
Other Receivables	1 807 911	(1 427 690)	380 221
Property Rental Debtors	165 110	-	165 110
Shared Services	1 251 250	(1 251 250)	-
Sundry Debtors	391 551	(176 440)	215 111
Total Receivables from Exchange Transactions	1 807 911	(1 427 690)	380 221

Other Receivables include outstanding debtors for various other services, e.g. Shared Services, Medical Aid Receivables and Property Rental.

The average credit period for Receivables is 30 days. No interest is charged for outstanding debtors. The Municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The Municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

The Management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

2.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2016

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rental Debtors:					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	-	-
Shared Services:					
Gross Balances	-	62 015	-	1 391 125	1 453 140
Less: Provision for Impairment	-	-	-	(1 391 125)	(1 391 125)
Net Balances	-	62 015	-	-	62 015
Sundry Debtors:					
Gross Balances	103 332	85	85	178 862	282 364
Less: Provision for Impairment	-	-	-	(176 439)	(176 439)
Net Balances	103 332	85	85	2 423	105 925

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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2015
R

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

As at 30 June Receivables of R64 608 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	62 100	85	1 569 987	1 632 172
Less: Provision for Impairment	-	-	(1 567 564)	(1 567 564)
Net Balances	62 100	85	2 423	64 608

As at 30 June 2015

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rental Debtors:					
Gross Balances	162 950	-	2 160	-	165 110
Less: Provision for Impairment	-	-	-	-	-
Net Balances	162 950	-	2 160	-	165 110
Shared Services:					
Gross Balances	-	-	-	1 251 250	1 251 250
Less: Provision for Impairment	-	-	-	(1 251 250)	(1 251 250)
Net Balances	-	-	-	-	-
Sundry Debtors:					
Gross Balances	206 681	1 126	1 126	182 618	391 551
Less: Provision for Impairment	-	-	-	(176 440)	(176 440)
Net Balances	206 681	1 126	1 126	6 178	215 111

As at 30 June Receivables of R246 840 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	1 126	3 286	1 433 868	1 438 280
Less: Provision for Impairment	-	-	(1 427 690)	(1 427 690)
Net Balances	1 126	3 286	6 178	10 590

2.2 Reconciliation of Provision for Impairment

Balance at beginning of year	(1 427 690)	(460 744)
Impairment Losses recognised	(446 125)	(966 946)
Impairment Losses reversed	-	-
Amounts written off as uncollectable	306 250	-
Amounts recovered	-	-
Balance at end of year	(1 567 565)	(1 427 690)

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of the Receivables from Exchange Transactions, the Municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

2.3 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2016 R	2015 R
3. VAT RECEIVABLE (PAYABLE)		
VAT Receivable (Payable)	<u><u>(805 005)</u></u>	<u><u>(1 455 320)</u></u>
VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.		
No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are affected before the due date.		
Refer to Note 32.1 for the adjustment made in respect to the corresponding balance.		
4. CASH AND CASH EQUIVALENTS		
Current Investments	452 542	276 716
Bank Accounts	97 665	248 085
Bank Overdraft	-	-
Total Bank, Cash and Cash Equivalents	<u><u>550 207</u></u>	<u><u>524 801</u></u>
For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.		
4.1 Current Investment Deposits		
Term Deposits	43 152	41 708
Call Deposits	409 390	235 008
Total Current Investment Deposits	<u><u>452 542</u></u>	<u><u>276 716</u></u>
Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.10% to 5.75% (2015: 5.10% to 5.75%) per annum.		
Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5.54% to 5.68% (2015: 5.54% to 5.68%) per annum.		
Deposits attributable to Unspent Conditional Grants	-	-
Total Deposits attributable to Commitments of the Municipality	<u><u>-</u></u>	<u><u>-</u></u>
Deposits of R925 118 (2014: R831 302) are ring-fenced and attributable to Unspent Conditional Grants.		
4.2 Bank Accounts		
Cash in Bank	97 665	248 085
Bank Overdraft	-	-
Total Bank Accounts	<u><u>97 665</u></u>	<u><u>248 085</u></u>
The Municipality has the following bank accounts:		
Primary Bank Account		
<i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 185 000 0197</i>		
Cash book balance at beginning of year	248 085	313 244
Cash book balance at end of year	<u><u>97 665</u></u>	<u><u>248 085</u></u>
Bank statement balance at beginning of year	248 319	313 444
Bank statement balance at end of year	<u><u>97 665</u></u>	<u><u>248 319</u></u>
Term Deposits		
<i>ABSA Bank Limited - De Aar Branch - Term Deposit Number 605 438 4570</i>		
Cash book balance at beginning of year	41 708	459 393
Cash book balance at end of year	<u><u>43 152</u></u>	<u><u>41 708</u></u>
Bank statement balance at beginning of year	41 708	459 393
Bank statement balance at end of year	<u><u>43 152</u></u>	<u><u>41 708</u></u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2016 R	2015 R
4. CASH AND CASH EQUIVALENTS (continued)		
Call Deposits		
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 912 285 3831</i>		
Cash book balance at beginning of year	-	9 669
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	9 669
Bank statement balance at end of year	-	-
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 926 938 9573</i>		
Cash book balance at beginning of year	-	206 740
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	206 740
Bank statement balance at end of year	-	-
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 463 4894</i>		
Cash book balance at beginning of year	6 545	1 402
Cash book balance at end of year	5 376	6 545
Bank statement balance at beginning of year	6 545	1 402
Bank statement balance at end of year	5 376	6 545
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 912 355 2505</i>		
Cash book balance at beginning of year	1 851	2 333 195
Cash book balance at end of year	389 502	1 851
Bank statement balance at beginning of year	1 851	2 333 195
Bank statement balance at end of year	389 502	1 851
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 538 6731</i>		
Cash book balance at beginning of year	1 055	1 489
Cash book balance at end of year	-	1 055
Bank statement balance at beginning of year	1 055	1 489
Bank statement balance at end of year	-	1 055
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 638 8425</i>		
Cash book balance at beginning of year	1 034	1 298
Cash book balance at end of year	(1)	1 034
Bank statement balance at beginning of year	1 034	1 298
Bank statement balance at end of year	(1)	1 034
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 498 2487</i>		
Cash book balance at beginning of year	220 302	11 484
Cash book balance at end of year	8 292	220 302
Bank statement balance at beginning of year	220 302	11 484
Bank statement balance at end of year	8 292	220 302
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 930 121 9733</i>		
Cash book balance at beginning of year	1 053	-
Cash book balance at end of year	1 004	1 053
Bank statement balance at beginning of year	1 053	-
Bank statement balance at end of year	1 004	1 053
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 928 495 2305</i>		
Cash book balance at beginning of year	-	8 755
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	8 755
Bank statement balance at end of year	-	-

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2016 R	2015 R
4. CASH AND CASH EQUIVALENTS (continued)		
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 928 451 0400</i>		
Cash book balance at beginning of year	-	42 712
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	42 712
Bank statement balance at end of year	-	-
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 624 8065</i>		
Cash book balance at beginning of year	1 961	193 399
Cash book balance at end of year	1 808	1 961
Bank statement balance at beginning of year	1 961	193 399
Bank statement balance at end of year	1 808	1 961
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 928 888 5566</i>		
Cash book balance at beginning of year	-	1 096
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	1 096
Bank statement balance at end of year	-	-
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 929 8348 243</i>		
Cash book balance at beginning of year	1 207	-
Cash book balance at end of year	3 408	1 207
Bank statement balance at beginning of year	1 207	-
Bank statement balance at end of year	3 408	1 207

4.3 Cash and Cash Equivalents

Cash Floats and Advances	-	-
Total Cash on hand in Cash Floats, Advances and Equivalents	-	-

The Municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the Municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the Municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

5. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	-	699
Operating Lease Revenue recorded	14 209	-
Operating Lease Revenue effected	-	(699)
Total Operating Lease Receivables	14 209	-
Less: Amounts due for settlement within 12 months (Current Portion)	(4 346)	-
Total Operating Lease Receivables	9 863	-

5.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the Municipality with lease terms of between 2 to 5 (2015: 2 to 5) years, with an option to extend.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2016 R	2015 R
5. OPERATING LEASE RECEIVABLES (continued)		
5.2 Amounts receivable under Operating Leases		
At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:		
Up to 1 year	4 346	-
2 to 5 years	9 863	-
More than 5 years	-	-
Total Operating Lease Arrangements	14 209	-
The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R14 209 (2015: decrease of R699) in current year income.		
The following payments have been recognised for Rental Income and Repairs and Maintenance Expense in the Statement of Financial Performance:		
Rental Income	111 234	33 064
Repairs and Maintenance	-	-
The following restrictions have been imposed by the municipality in terms of the lease agreements:		
(i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.		
(ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.		
(iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.		

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

6. PROPERTY, PLANT AND EQUIPMENT

30 June 2016

Reconciliation of Carrying Value

Description	Land and Buildings	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets
	R	R	R	R	R	R
Carrying values at 1 July 2015	9 397 304	303 763	525 759	235 254	1 031 706	1 167 000
Cost	15 219 161	981 315	1 899 429	983 864	1 517 956	1 894 010
- Completed Assets	15 219 161	981 315	1 899 429	983 864	1 517 956	1 894 010
- Under Construction	-	-	-	-	-	-
Accumulated Impairment Losses	-	(872)	(3)	(2 843)	-	-
Accumulated Depreciation	(5 821 857)	(676 680)	(1 373 667)	(745 767)	(486 250)	(727 010)
Acquisitions	-	163 262	1 754	69 633	870 592	-
Depreciation	(916 425)	(84 393)	(84 683)	(55 827)	(89 341)	(781 285)
Carrying value of Disposals	(41 470)	-	-	-	-	-
- Cost	(120 200)	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	78 730	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Carrying values at 30 June 2016	8 439 409	382 632	442 830	249 060	1 812 957	385 715
Cost	15 098 961	1 144 577	1 901 183	1 053 497	2 388 548	1 894 010
- Completed Assets	15 098 961	1 144 577	1 901 183	1 053 497	2 388 548	1 894 010
- Under Construction	-	-	-	-	-	-
Accumulated Impairment Losses	-	(872)	(3)	(2 843)	-	-
Accumulated Depreciation:	(6 659 552)	(761 073)	(1 458 350)	(801 594)	(575 591)	(1 508 295)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

30 June 2015

Reconciliation of Carrying Value

Description	Land and Buildings	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets
	R	R	R	R	R	R
Carrying values at 1 July 2014	9 759 539	404 294	705 582	301 821	1 246 800	623 201
Cost	14 713 108	1 249 532	2 038 147	1 040 359	1 816 880	2 384 693
- Completed Assets	13 922 266	1 249 532	2 038 147	1 040 359	1 816 880	2 384 693
- Under Construction	790 842	-	-	-	-	-
Accumulated Impairment Losses	-	(5 030)	(5 606)	(4 840)	-	-
Accumulated Depreciation	(4 953 569)	(840 208)	(1 326 959)	(733 698)	(570 080)	(1 761 492)
Acquisitions	616 053	92 597	15 781	14 231	353 855	1 511 000
Donated Asset	-	-	-	1 400	-	-
Depreciation	(868 288)	(152 293)	(173 286)	(70 702)	(118 355)	(842 656)
Carrying value of Disposals	(110 000)	(40 835)	(22 318)	(11 496)	(450 594)	(124 545)
- Cost	(110 000)	(360 814)	(154 499)	(72 126)	(652 779)	(2 001 683)
- Accumulated Impairment Losses	-	4 158	5 603	1 997	-	-
- Accumulated Depreciation	-	315 821	126 578	58 633	202 185	1 877 138
Impairment Losses	-	-	-	-	-	-
Carrying values at 30 June 2015	9 397 304	303 763	525 759	235 254	1 031 706	1 167 000
Cost	15 219 161	981 315	1 899 429	983 864	1 517 956	1 894 010
- Completed Assets	15 219 161	981 315	1 899 429	983 864	1 517 956	1 894 010
- Under Construction	-	-	-	-	-	-
Accumulated Impairment Losses	-	(872)	(3)	(2 843)	-	-
Accumulated Depreciation:	(5 821 857)	(676 680)	(1 373 667)	(745 767)	(486 250)	(727 010)

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

Total
R
12 660 786
22 495 735
22 495 735
-
(3 718)
(9 831 231)
1 105 241
(2 011 954)
(41 470)
(120 200)
-
78 730
-
11 712 603
23 480 776
23 480 776
-
(3 718)
(11 764 455)

Total
R
13 041 237
23 242 719
22 451 877
790 842
(15 476)
(10 186 006)
2 603 517
1 400
(2 225 580)
(759 788)
(3 351 901)
11 758
2 580 355
-
12 660 786
22 495 735
22 495 735
-
(3 718)
(9 831 231)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016 **2015**
R **R**

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

6.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the Municipality.

6.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.

6.3 Assets pledged as security

The Municipality's obligations under Finance Leases (see Note 12) are secured by the lessors' title to the leased assets. No other assets of the Municipality have been pledged as security.

6.4 Impairment of Property, Plant and Equipment

No impairment losses have been recognised on Property, Plant and Equipment of the Municipality at the reporting date.

6.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

A change in the estimated useful life of various assets of the Municipality has resulted in the following decreases in depreciation for the mentioned asset categories for the financial year:

Other Assets	(214 510)	(202 635)
Total Change in Estimate for Useful Life of Property, Plant and Equipment	(214 510)	(202 635)

The change in estimates will result in a decrease of R214 510 (2015: R202 635) in the Depreciation Expense for the Municipality over the next three financial years.

6.6 Land and Buildings carried at Fair Value

The Municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

7. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation	14 475	37 374
---------------------------------------	---------------	---------------

The movement in Intangible Assets is reconciled as follows:

Carrying values at 1 July	37 374	60 273
Cost	397 692	397 692
Accumulated Amortisation	(360 318)	(337 419)
Acquisitions	-	-
Amortisation	(22 899)	(22 899)
Disposals	-	-
Carrying values at 30 June	14 475	37 374
Cost	397 692	397 692
Accumulated Amortisation	(383 217)	(360 318)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 22).

All of the Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the Municipality.

No restrictions apply to any of the Intangible Assets of the Municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016 **2015**
R **R**

7.1 Intangible Assets with Indefinite Useful Lives

The Municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

7. INTANGIBLE ASSETS (continued)

7.2 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting date.

8. INVESTMENT PROPERTY

At Fair Value	860 000	1 953 700
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The movement in Investment Property is reconciled as follows:

Carrying values at 1 July	1 953 700	2 636 700
Fair Value	1 953 700	2 636 700
Accumulated Impairment Losses	-	-
Acquisitions during the Year	-	-
Net Gains / (Losses) from Fair Value Adjustments	-	-
Impairment Losses during the Year	-	-
Disposals during the Year:	(1 093 700)	(683 000)
At Fair Value	(1 093 700)	(683 000)
At Accumulated Impairment	-	-
Carrying values at 30 June	860 000	1 953 700
Fair Value	860 000	1 953 700
Accumulated Impairment	-	-
Estimated Fair Value of Investment Property at 30 June	860 000	1 953 700

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	142 046	174 928
Direct Operating Expenses - incurred to generate rental revenue	-	-
Direct Operating Expenses - incurred which did not generate rental revenue	-	-

All of the Municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the Municipality.

There are no restrictions on the reliability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

8.1 Investment Property carried at Fair Value

The Municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties.

The following assumptions were used:

Discount Rate	7.80%	7.80%
Other		

8.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the Municipality at the reporting date.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

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R

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
9. CURRENT PORTION OF EMPLOYEE BENEFIT LIABILITIES		
Current Portion of Ex-Gratia Benefit Liability (See Note 13)	23 400	23 400
Current Portion of Post-retirement Health Care Benefits Liability (See Note 13)	1 157 004	1 062 984
Total Current Portion of Employee Benefit Liabilities	1 180 404	1 086 384

The movement in provisions are reconciled as follows:

Current Portion of Employee Benefit Liabilities	Ex-Gratia R	Post-retirement R
2016		
Balance at beginning of year	23 400	1 062 984
Contributions to provision	-	94 020
Expenditure incurred	-	-
Balance at end of year	23 400	1 157 004
2015		
Balance at beginning of year	23 400	1 091 124
Contributions to provision	-	-
Expenditure incurred	-	(28 140)
Balance at end of year	23 400	1 062 984

10. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	879 002	283 342
Payments received in Advance	68 273	17 445
Retentions	-	-
Staff Bonuses	751 093	750 623
Advances from Road Department	240 750	240 750
Other Creditors	1 381 776	3 989 323
Accrued Leave	1 501 996	1 256 834
Settlement	-	-
Total Payables	4 822 890	6 538 317

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The Municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the Municipality.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

11. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

11.1 Conditional Grants from Government	1 580 591	925 119
Provincial Government Grants	1 275 029	924 071
Local Government Grants	305 562	1 048
11.2 Other Conditional Receipts	-	-
Public Contributions	-	-
Total Conditional Grants and Receipts	1 580 591	925 119

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

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R

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

See Note 15 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

12. LONG-TERM LIABILITIES

Annuity Loans	1 262 494	1 891 878
Finance Lease Liabilities	1 111 934	1 645 526
Sub-total	2 374 428	3 537 404
Less: Current Portion transferred to Current Liabilities	(1 512 479)	(1 123 470)
Annuity Loans	(658 832)	(630 080)
Finance Lease Liabilities	(853 647)	(493 390)
Total Long-term Liabilities (Neither past due, nor impaired)	861 949	2 413 934

12.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 5 to 10 (2015: 5 to 10) years and at interest rates varying from 9.86% to 9.89% (2014: 9.86% to 9.89%) per annum. Annuity Loans are not secured.

The management of the Municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the Municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

12.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 3 years (2015: 3 years). The effective interest rate on Finance Leases is between 2.16% and 7.93% (2015: 1.48% and 8.31%).

The Municipality has options to purchase the Property, Plant and Equipment for a nominal amount at the conclusion of the lease agreements. The Municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2016 R	2015 R	2016 R	2015 R
The obligations under Finance Leases are as follows:				
Amounts payable under finance leases:				
Within one year	1 334 667	1 275 756	853 647	383 764
In the second to fifth years, inclusive	285 847	1 345 314	258 288	878 466
	1 620 514	2 621 070	1 111 934	1 262 230
Less: Future Finance Obligations	(508 580)	(1 358 840)	-	-
Present Value of Minimum Lease Obligations	1 111 934	1 262 230	1 111 934	1 262 230
Less: Amounts due for settlement within 12 months (Current Portion)			(853 647)	(493 390)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			258 288	768 840

The Municipality has finance lease agreements for the following significant classes of assets:

- IT equipment

Included in these classes are the following significant leases:

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
(i) IT Equipment	R 1 111 934	R 1 262 230
- Installments are payable quarterly in advance		
- Average period outstanding	12 months	24 months
- Average effective interest rate	4.81%	4.81%
- Average quarterly installment	R 116 890	R 74 371

12.3 Breach of Loan Agreement

The Municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the Municipality.

13. EMPLOYEE BENEFIT LIABILITIES

Ex-Gratia Benefit Liability	69 859	78 330
Post-retirement Health Care Benefits Liability	13 548 565	13 592 117
Total Employee Benefit Liabilities	13 618 424	13 670 447

13.1 Ex-Gratia Benefit Liability

Balance at beginning of Year	101 730	107 201
Increase due to Discounting	6 575	6 982
Expenditure incurred	(23 400)	(23 400)
Actuarial (Gains) /Losses	8 354	10 947
Balance at end of Year	93 259	101 730
Transfer to Current Provisions	(23 400)	(23 400)
Total Post-retirement Health Care Benefits Liability	69 859	78 330

The Municipality provides certain ex-gratia (pension) benefits by funding the pension fund contributions of qualifying retired members of the Municipality. According to the rules of the Pension Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such pension fund on retirement, in which case the Municipality is liable for a certain portion of the pension fund membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Ex-Gratia Benefit Plan are made up as follows:

Continuation Members (Retirees, widowers and orphans)	4	4
Total Members	4	4

The liability in respect of past service has been estimated as follows:

Continuation Members (Retirees, widowers and orphans)	93 259	101 730
Total Liability	93 259	101 730

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.37%	7.29%
Health Care Cost Inflation Rate	0.00%	0.00%
Net Effective Discount Rate	8.37%	7.29%
Expected Retirement Age - Females	60	60
Expected Retirement Age - Males	60	60

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	101 730	107 201
Interest cost	6 575	6 982
Benefits paid	(23 400)	(23 400)
Actuarial losses / (gains)	8 354	10 947

Total Recognised Benefit Liability	93 259	101 730
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	93 259	101 730
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Total Benefit Liability	93 259	101 730
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The amounts recognised in the Statement of Financial Performance are as follows:

Interest cost	6 575	6 982
Expenditure incurred	(23 400)	(23 400)
Actuarial losses / (gains)	8 354	10 947

Total Post-retirement Benefit included in Employee Related Costs (Note 20)	(8 471)	(5 471)
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13. EMPLOYEE BENEFIT LIABILITIES (continued)

The history of experienced adjustments is as follows:

	2016 R	2015 R	2014 R	2013 R
Present Value of Defined Benefit Obligation	93 259	101 730	107 201	177 294
Deficit	93 259	101 730	107 201	177 294
Experienced adjustments on Plan Liabilities	93 259	90 782	163 085	177 294

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	7 214	7 647
Effect on the defined benefit obligation	90 560	98 525

Decrease:

Effect on the aggregate of the current service cost and the interest cost	5 886	6 262
Effect on the defined benefit obligation	96 130	105 154

Refer to Note 42 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the Municipality's other retirement funds that is Provincially and Nationally administered.

13.2 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	14 655 101	15 584 738
Contributions to Provision	373 682	437 078
Increase due to Discounting	1 176 744	1 280 559
Expenditure incurred	(1 108 125)	(1 091 125)
Actuarial (Gains) /Losses	(391 833)	(1 556 149)
Balance at end of Year	14 705 569	14 655 101
Transfer to Current Provisions	(1 157 004)	(1 062 984)
Total Long Service Awards Liability	13 548 565	13 592 117

The Municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the Municipality. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	27	26
Continuation Members (Retirees, widowers and orphans)	30	31
Total Members	57	57

The liability in respect of past service has been estimated as follows:

In-service Members	4 125 960	4 288 786
Continuation Members	10 579 610	10 366 316
Total Liability	14 705 570	14 655 102

The Municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Hosmed
- Keyhealth
- LA Health
- Samwumed

13. EMPLOYEE BENEFIT LIABILITIES (continued)

The Current-service Cost for the year ending 30 June 2016 is estimated to be R373 682, whereas the cost for the ensuing year is estimated to be R357 443 (2015: R437 078 and R373 682 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9.13%	8.33%
Health Care Cost Inflation Rate	8.27%	7.70%
Net Effective Discount Rate	0.80%	0.58%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	58	58

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	14 655 101	15 584 738
Current service costs	373 682	437 078
Interest cost	1 176 744	1 280 559
Benefits paid	(1 108 125)	(1 091 125)
Actuarial losses / (gains)	(391 833)	(1 556 149)

Total Recognised Benefit Liability	14 705 569	14 655 101
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	14 705 569	14 655 101
Total Benefit Liability	14 705 569	14 655 101

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	373 682	437 078
Interest cost	1 176 744	1 280 559
Benefits paid	(1 108 125)	(1 091 125)
Actuarial losses / (gains)	(391 833)	(1 556 149)
Total Post-retirement Benefit included in Employee Related Costs (Note 20)	50 468	(929 637)

The history of experienced adjustments is as follows:

	2016 R	2015 R	2014 R	2013 R
Present Value of Defined Benefit Obligation	14 705 569	14 655 101	15 584 738	16 114 922
Deficit	14 705 569	14 655 101	15 584 738	16 114 922

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
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PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

			2016 R	2015 R
Experienced adjustments on Plan Liabilities	15 142 544	16 211 251	16 540 584	16 114 922
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:				
Increase:				
Effect on the aggregate of the current service cost and the interest cost			1 782 100	1 984 900
Effect on the defined benefit obligation			16 368 000	16 311 000
Decrease:				
Effect on the aggregate of the current service cost and the interest cost			1 362 600	1 501 500
Effect on the defined benefit obligation			13 315 000	13 265 000

The Municipality expects to make a contribution of R1 157 004 (2015: R1 062 984) to the Defined Benefit Plans during the next financial year.

14. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Accumulated Surplus / (Deficit) due to the results of Operations	(11 062 312)	(11 656 109)
Total Accumulated Surplus	(11 062 312)	(11 656 109)

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

15. GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	35 320 000	32 052 000
Provincial: Health Subsidy	492 748	-
Operational Grants	35 812 748	32 052 000

Conditional Grants	10 706 791	5 526 893
National: EPWP	997 275	998 952
National: FMG	1 250 000	1 250 000
National: MSIG	930 000	934 000
Provincial: Roads	818 013	776 752
Provincial: COGHSTA (Housing Accreditation)	1 000 000	1 030 000
Provincial: EPWP (Renosterberg)	-	18 749
Provincial: Sports, Arts and Culture	-	203 482
Provincial: NEAR	349 042	314 958
Provincial: Cleaning Project	2 737 329	-
Provincial: RAMS Grant	2 625 133	-
Other Spheres of Government: Various Grants	-	-

Total Government Grants and Subsidies	46 519 539	37 578 893
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Government Grants and Subsidies:

Conditional Grants - Capital	-	636 918
Conditional Grants - Operational	9 706 792	3 859 975
Unconditional Grants - Capital	-	-
Unconditional Grants - Operational	36 812 748	33 082 000

Total Government Grants and Subsidies	46 519 540	37 578 893
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Summary of Transfers:

Conditions met - transferred to Revenue: Operating Expenses	46 519 540	36 941 975
Conditions met - transferred to Revenue: Capital Expenses	-	636 918

Total Transfers	46 519 540	37 578 893
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Operational Grants:

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
15.1 National: Equitable Share	35 320 000	32 052 000

The Municipality's Equitable Share allocation of the Local Government Sphere's share of revenue raised nationally. No funds were withheld.

15.2 Provincial: COGHSTA (Housing Accreditation)

Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	1 030 000
Conditions met - transferred to Operating Revenue	(1 000 000)	(1 030 000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	-	-

This grant was allocated to improve capacity within the administration of the Municipality in respect to the Housing Department. All conditions attached to the grant were met. No funds have been withheld.

Conditional Grants:

15.3 Provincial: Health Subsidy

Balance unspent at beginning of year	-	-
Current year receipts	500 000	-
Conditions met - transferred to Operating Revenue	(492 748)	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	7 252	-

To promote and support HIV Aids programmes within the Municipal area. No funds were withheld.

15. GOVERNMENT GRANTS AND SUBSIDIES (continued)

15.4 National: Expanded Public Works Programme

Balance unspent at beginning of year	1 048	-
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to Operating Revenue	(997 276)	(362 034)
Conditions met - transferred to Capital Revenue	-	(636 918)
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	3 772	1 048

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP Guidelines. All conditions attached to the grant were met. No funds have been withheld.

15.5 National: Financial Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current year receipts	1 250 000	1 250 000
Conditions met - transferred to Operating Revenue	(1 250 000)	(1 250 000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). All conditions attached to the grant were met. No funds have been withheld.

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15.6 National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>-</u>	<u>-</u>

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. All conditions attached to the grant were met. No funds have been withheld.

15.7 National: Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	-	-
Current year receipts	930 000	934 000
Conditions met - transferred to Operating Revenue	(930 000)	(934 000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>-</u>	<u>-</u>

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. All conditions attached to the grant were met. No funds have been withheld.

15.8 Provincial: Department of Roads

Balance unspent at beginning of year	(197 474)	(190 903)
Current year receipts	1 015 487	770 181
Conditions met - transferred to Operating Revenue	(818 013)	(776 752)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current assets (see Note 2)	<u>-</u>	<u>(197 474)</u>

The Roads Grant was allocated for the payment of the medical aid ex gratia for personnel that is and has been on pension. No funds have been withheld.

15. GOVERNMENT GRANTS AND SUBSIDIES (continued)

15.9 Provincial: Expanded Public Works Programme (Renosterberg)

Balance unspent at beginning of year	-	18 749
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	(18 749)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>-</u>	<u>-</u>

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP Guidelines. All conditions attached to the grant were met. No funds have been withheld.

15.10 Provincial: Sports, Arts and Culture

Balance unspent at beginning of year	-	203 482
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	(203 482)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>-</u>	<u>-</u>

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To upgrade or build new sporting facilities at the Municipalities. All conditions attached to the grant were met. No funds have been withheld.

15.11 Provincial: NEAR

Balance unspent at beginning of year	923 172	608 172
Current year receipts	700 000	629 958
Conditions met - transferred to Operating Revenue	(349 042)	(314 958)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u><u>1 274 130</u></u>	<u><u>923 172</u></u>

Funds from this grant is used to repair infrastructure that supports the provision of basic services and environmental health services for six months after the disaster. No funds have been withheld.

15.12 Provincial: Electrification Programme

Balance unspent at beginning of year	898	898
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u><u>898</u></u>	<u><u>898</u></u>

This grant was allocated to improve and upgrade the electrify infrastructure and enhance the electricity capacity within the Municipality. All conditions attached to the grant were met. No funds have been withheld.

15.13 Provincial: Cleaning Project

Balance unspent at beginning of year	-	-
Current year receipts	3 000 000	-
Conditions met - transferred to Operating Revenue	(2 737 329)	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u><u>262 671</u></u>	<u><u>-</u></u>

This grant was allocated to the Municipality for a cleaning project. All conditions attached to the grant were met. No funds have been withheld.

15. GOVERNMENT GRANTS AND SUBSIDIES (continued)

15.14 Provincial: RAMS Grant

Balance unspent at beginning of year	-	-
Current year receipts	2 657 000	-
Conditions met - transferred to Operating Revenue	(2 625 133)	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u><u>31 868</u></u>	<u><u>-</u></u>

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in road infrastructure and usage. All conditions attached to the grant were met. No funds have been withheld.

16. PUBLIC CONTRIBUTIONS AND DONATIONS

Other Donations	-	5 700
Total Public Contributions and Donations	<u><u>-</u></u>	<u><u>5 700</u></u>

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	2016 R	2015 R
17. RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Other Facilities	142 046	174 928
Total Rental of Facilities and Equipment	142 046	174 928
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
18. INTEREST EARNED		
External Investments:		
Bank Account	7 980	16 731
Investments	487 498	339 249
	495 478	355 980
Total Interest Received		
Interest - Fixed Deposits	115 927	46 573
Interest - Notice Deposits	371 572	292 675
Interest - Other	7 980	16 731
Interest - Variable Rate Instruments	495 478	355 980
Total Interest Earned	495 478	355 980
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	495 478	355 980
Loans and Receivables	-	-
	495 478	355 980
19. OTHER REVENUE		
Money Various	38 514	30 965
SETA Claims	3 897	45 993
Administration Cost	332 850	50 000
Insurance Claims Received	29 835	105 701
Telephone Deductions	52 349	67 061
Tender Documents	2 400	10 400
Contribution from Municipalities	3 046 382	3 108 553
Total Other Revenue	3 506 227	3 418 673

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 15 to 18, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Inter-departmental Recoveries are received from other trading and economic services.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
20. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	21 167 547	19 773 850
Basic Salaries and Wages	19 239 904	18 040 370
Contribution to Leave Fund	393 625	195 730
Service Bonuses	1 534 017	1 537 750
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	3 912 806	3 604 988
Medical	599 978	549 188
Pension	3 174 629	2 929 458
Industrial Council Levy	7 301	6 597
UIF	130 898	119 745
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 566 701	1 576 064
Allowances	1 566 701	1 576 064
Pensioners Allowances	-	-
Housing Benefits and Allowances	256 769	149 147
Overtime Payments	261 460	274 752
Learnerships	-	45 000
Defined Benefit Plan Expense:	1 150 122	120 593
Current Service Cost	373 682	437 078
Interest Cost	1 183 319	1 287 541
Net Actuarial (gains)/losses recognised	(406 879)	(1 604 026)
Total Employee Related Costs	28 315 405	25 544 394

No advances were made to employees.

Included in Employee Related Costs is an amount of R3 174 629 (2015: R2 929 458) paid by the Municipality to Defined Contribution Plans at rates specified by the rules of the plans.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager

Annual Remuneration	922 260	856 800
Service Bonus	76 855	71 400
Car and Other Allowances	103 290	100 481
Company Contributions to UIF, Medical and Pension Funds	167 878	156 090
Total	1 270 283	1 184 771

Remuneration of the Chief Financial Officer

Annual Remuneration	832 200	772 800
Service Bonus	69 350	64 400
Car and Other Allowances	89 068	86 732
Company Contributions to UIF, Medical and Pension Funds	151 668	140 970
Total	1 142 286	1 064 902

Remuneration of the Infrastructure Manager

Annual Remuneration	764 491	348 644
Service Bonus	55 450	-
Car and Other Allowances	95 427	54 135
Company Contributions to UIF, Medical and Pension Funds	1 872	1 089
Total	917 240	403 868

The post was vacant from 1 July 2014 to 30 November 2014.

Remuneration of the Planner PIMS

Annual Remuneration	136 423	700 300
Service Bonus	9 733	54 150
Car and Other Allowances	16 760	92 616
Company Contributions to UIF, Medical and Pension Funds	32 004	118 830
Total	194 920	965 896

The post has was vacant from 1 October 2015 to 30 June 2016.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
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Remuneration of the Chief Corporate Services

Annual Remuneration	808 308	700 800
Performance Bonus	-	58 400
Car and Other Allowances	101 723	98 519
Company Contributions to UIF, Medical and Pension Funds	147 367	128 010
Total	1 057 398	985 729

20. EMPLOYEE RELATED COSTS (continued)

Remuneration of the Manager: Office of the Executive Mayor

Annual Remuneration	376 672	230 984
Service Bonus	30 894	-
Car and Other Allowances	88 200	58 800
Company Contributions to UIF, Medical and Pension Funds	106 090	65 837
Total	601 856	355 621

Remuneration of the Communication Manager

Annual Remuneration	287 328	556 873
Service Bonus	62 834	48 000
Car and Other Allowances	65 550	97 689
Company Contributions to UIF, Medical and Pension Funds	59 584	7 063
Total	475 296	709 625

The post has been vacant from 1 October 2015 to 31 December 2015.

No compensation was payable to key management personnel in terms of GRAP 25 as at 30 June.

21. REMUNERATION OF COUNCILLORS

Executive Mayor	770 012	730 495
Speaker	617 210	585 596
Members of Mayoral Committee	1 156 220	1 442 987
Councillors	1 183 810	783 834
Total Councillors' Remuneration	3 727 252	3 542 912

Remuneration of Councillors:

In-kind Benefits

The Councillors occupying the positions of Mayor, Speaker, Chief Whip and four members of the Executive Committee of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

The Mayor has use of a Council owned vehicle for official duties.

22. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	2 011 954	2 225 580
Amortisation: Intangible Assets	22 899	22 899
Total Depreciation and Amortisation	2 034 854	2 248 479

23. IMPAIRMENT LOSSES

23.1 Impairment Losses on Financial Assets

Impairment Losses Recognised:	123 327	868 546
Receivables from Exchange Transactions	123 327	868 546
	123 327	868 546

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
23.2 Bad Debts Written-off		
Bad Debts Written-off:	-	-
Receivables from Exchange Transactions	-	-
	-	-
	-	-
Total Impairment Losses	123 327	868 546
25. REPAIRS AND MAINTENANCE		
Land and Buildings	98 215	124 702
Other Assets	142 852	178 089
Total Repairs and Maintenance	241 067	302 791
26. FINANCE COSTS		
Bank Overdrafts	2 884	2 960
Current Borrowings	159 314	217 826
Finance Leases	869 083	910 812
Settlement	-	116 847
Total Interest Paid on External Borrowings	1 031 280	1 248 445
The weighted average capitalisation rate on funds borrowed generally is 5.27% per annum (2015: 5.27% per annum).		
27. CONTRACTED SERVICES		
Other Contracted Services	239 300	56 930
Total Contracted Services	239 300	56 930
28. GRANTS AND SUBSIDIES PAID		
EPWP Renosterberg	-	42 712
EPWP Projects	879 659	317 603
Housing Implementation Plan	-	648 066
Sport Facilities	-	188 079
District Wide Programs	572 082	156 826
L E D	4 498 281	-
Total Grants and Subsidies	5 950 023	1 353 287
29. GENERAL EXPENSES		
Included in General Expenses are the following:		
Advertisements	87 017	65 610
Consulting Cost	467 534	316 909
Bank Cost	66 943	66 155
Protective clothing	31 681	17 080
Fire Extinguishers	1 100	-
Training	353 796	95 063
Audit Cost	1 007 705	2 065 535
Printing & Stationary	88 018	168 453
Sundries	-	15 828
Bursaries	15 000	1 938
PKS Newslatter	166 047	127 632
Property Tax	56 110	48 425
Electricity and Water	215 424	130 703

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Office Expenditure	58 116	451 675
Congress Cost	10 900	45 051
SETA Payments	-	326 235
Membership Fees	607 674	529 549
Audit Committee	70 913	48 271
Travel and Subsistence	2 111 226	2 139 395
Fuel and Oil	494 446	606 587
Cellphone & Telephone	379 975	360 717
Public Entertainment	190 332	216 528
Postage	3 316	2 102
Legal Cost	7 149	1 088 920
Strategic Planning	14 900	50 022
Water Samples	245 687	60 783
Insurance Claims	-	8 772
Fire Fighting Equipment for Municipalities	314 624	313 158
Insurance General	342 595	426 797
Operating Lease Assets	129 257	-
Compensation Commissioner	151 631	139 335
Total General Expenses	<u>7 689 116</u>	<u>9 933 226</u>

29. GENERAL EXPENSES (continued)

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the Municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

No other extra-ordinary expenses were incurred.

30. GAINS / (LOSSES) ON DISPOSAL OF INVESTMENT PROPERTY

Proceeds on Sale of Assets	417 300	639 931
Assets Disposed at Carrying Value:	(1 135 170)	(1 454 546)
Cost of Disposed Assets	(1 213 900)	(4 034 901)
Accumulated Depreciation of Disposed Assets	78 730	2 580 355
Total Gains / Losses on Disposal of Capital Assets	<u>(717 870)</u>	<u>(814 615)</u>

31. CHANGE IN ACCOUNTING POLICY

No Changes in Accounting Policies occurred during the year.

32. CORRECTION OF ERROR

Corrections were made and adjusted to the Accumulated Surplus Account during the financial years ended 30 June 2015 and 30 June 2016. Details of the adjustments are as follows:

Correction made to Assets

The prior year figures of Assets have been restated to correct errors and correctly classify the nature of Assets of the Municipality.

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The effect of the Correction of Error is as follows:

	2014/2015		Movement		2014/2015
	Published	Errors	Reclassification	Total	Restated
Receivables from Exchange Transactions	605 089	(224 868)	-	(224 868)	380 221
VAT Receivable	-	-	-	-	-
Cash and Cash Equivalents	524 802	-	-	-	524 802
Current Portion of Operating Lease Asset	-	-	-	-	-
Property, Plant and Equipment	12 660 785	-	-	-	12 660 785
Intangible Assets	37 374	-	-	-	37 374
Investment Property	1 953 700	-	-	-	1 953 700
Operating Lease Asset	-	-	-	-	-
	<u>15 781 750</u>	<u>(224 868)</u>	<u>-</u>	<u>(224 868)</u>	<u>15 556 882</u>

Correction made to Liabilities

The prior year figures of Assets have been restated to correct errors and correctly classify the nature of Liabilities of the Municipality.

The effect of the Correction of Error is as follows:

	2014/2015		Movement		2014/2015
	Published	Errors	Reclassification	Total	Restated
Current Portion of Employee Benefit Liabilities	(1 086 384)	-	-	-	(1 086 384)
Payables from Exchange Transactions	(6 572 320)	34 003	-	34 003	(6 538 317)
Unspent Conditional Grants and Receipts	(925 118)	-	-	-	(925 118)
VAT Payable	(231 925)	(1 223 395)	-	(1 223 395)	(1 455 320)
Current Portion of Long-term Liabilities	(1 123 470)	-	-	-	(1 123 470)
Long-term Liabilities	(2 413 933)	-	-	-	(2 413 933)
Employee Benefit Liabilities	(13 670 447)	-	-	-	(13 670 447)
	<u>(26 023 597)</u>	<u>(1 189 392)</u>	<u>-</u>	<u>(1 189 392)</u>	<u>(27 212 989)</u>

Corrections made to Net Assets

The prior year figures of Net Assets have been restated to correct errors and correctly classify the nature of Liabilities of the Municipality. The errors corrected includes the cumulative effect of those affecting the Statement of Financial Performance.

The effect of the Correction of Error is as follows:

	2014/2015		Movement		2014/2015
	Published	Errors	Reclassification	Total	Restated
Opening Balance	6 337 372	-	-	-	6 337 372
Correction of Error	-	939 287	-	939 287	939 287
Surplus (Deficit) for the year	3 904 477	474 973	-	474 973	4 379 450
	<u>10 241 849</u>	<u>1 414 261</u>	<u>-</u>	<u>1 414 261</u>	<u>11 656 110</u>

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32. CORRECTION OF ERROR (continued)

Corrections made to Revenue

The prior year figures of Revenue have been restated to correct errors and correctly classify the nature of Revenue of the Municipality.

The effect of the Correction of Error is as follows:

	2014/2015		Movement		2014/2015
	Published	Errors	Reclassification	Total	Restated
Government Grants and Subsidies Received	(37 578 894)	-	-	-	(37 578 894)
Public Contributions and Donations	(5 700)	-	-	-	(5 700)
Rental of Facilities and Equipment	(164 944)	(9 984)	-	(9 984)	(174 928)
Interest Earned - External Investments	(355 979)	-	-	-	(355 979)
Other Revenue	(3 626 399)	207 727	-	207 727	(3 418 672)
Other Gains and Losses	-	-	-	-	-
	<u>(41 731 916)</u>	<u>197 743</u>	<u>-</u>	<u>197 743</u>	<u>(41 534 173)</u>

Corrections made to Expenditure

The prior year figures of Revenue have been restated to correct errors and correctly classify the nature of Revenue of the Municipality.

The effect of the Correction of Error is as follows:

	2014/2015		Movement		2014/2015
	Published	Errors	Reclassification	Total	Restated
Employee Related Costs	25 544 393	-	-	-	25 544 393
Remuneration of Councillors	3 542 912	-	-	-	3 542 912
Depreciation and Amortisation	2 248 479	-	-	-	2 248 479
Impairment Losses	868 546	-	-	-	868 546
Repairs and Maintenance	300 616	2 175	-	2 175	302 791
Finance Costs	1 248 445	-	-	-	1 248 445
Contracted Services	56 930	-	-	-	56 930
Grants and Subsidies Paid	1 352 797	490	-	490	1 353 287
General Expenses	9 658 660	274 566	-	274 566	9 933 226
Loss on Disposal of Property, Plant and Equipment	814 615	-	-	-	814 615
	<u>45 636 393</u>	<u>277 231</u>	<u>-</u>	<u>277 231</u>	<u>45 913 624</u>

32.1 VAT Adjustment based on Audit conducted

During the year a VAT Audit was finalised by the South African Revenue Service (SARS). The findings resulted in a input VAT previously claimed being disallowed. Management engaged SARS on these matters and the result was that input VAT amounting to R1 251 010 is being recovered by SARS.

The effect of the Correction of Error is as follows:

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Statement of Financial Position		
(Increase) Decrease in VAT Payable	(1 251 011)	(1 251 011)
(Increase) Decrease in Creditors from Exchange Transactions	34 003	34 003
(Increase) Decrease in Accumulated Surplus	1 217 008	939 287
Statement of Financial Performance		
(Increase) Decrease in Other Income	-	490
Increase (Decrease) in Repairs and Maintenance	-	2 175
Increase (Decrease) in Grants and Subsidies Paid	-	490
Increase (Decrease) in General Expenses	-	274 566
	<u>-</u>	<u>-</u>

32.2 Shared Services written back

During the year Shared Services amounting to R236 250 (inclusive of VAT) was written back on fees charged during the 2015 financial year. This was due to overcharges that were made to Thembelihle Local Municipality for services that were discontinued.

The effect of the Correction of Error is as follows:

Statement of Financial Position		
Increase (Decrease) in Receivables from Exchange Transactions	(236 250)	(236 250)
(Increase) Decrease in VAT Payable	29 013	29 013
(Increase) Decrease in Accumulated Surplus	207 237	-
Statement of Financial Performance		
(Increase) Decrease in Other Income		207 237
	<u>-</u>	<u>-</u>

32. CORRECTION OF ERROR (continued)

32.3 Property Rental Debtor not previously recognised

Rental income in respect to the Umsobomvu Local Municipality Property Rent was erroneously not previously recognised. The revenue is now being recognised as the debtor paid the account in full.

Statement of Financial Position		
Increase (Decrease) in Receivables from Exchange Transactions	11 382	11 382
(Increase) Decrease in VAT Payable	(1 398)	(1 398)
(Increase) Decrease in Accumulated Surplus	(9 984)	-
Statement of Financial Performance		
(Increase) Decrease in Rental of Facilities and Equipment		(9 984)
	<u>-</u>	<u>-</u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
33. CHANGE IN ACCOUNTING ESTIMATES		
33.01 Review of Residual Values and Estimated Useful Lives		
The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2016. Adjustments to the useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:		
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(214 510)	(202 635)
Increase / (Decrease) in Amortisation due to adjustments to Useful Lives of Intangible Assets	-	(38 875)
Increase / (Decrease) in Depreciation of PPE	(214 510)	(241 510)
Depreciation and Amortisation as previously stated	2 249 364	2 489 838
Adjustment due to Change in Accounting Estimate	(214 510)	(241 510)
Depreciation and Amortisation as per Note 22	2 034 854	2 248 328
34. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	593 798	(4 379 450)
Adjustment for:		
Donations Received	-	(1 400)
Depreciation and Amortisation	2 034 854	2 248 479
Losses / (Gains) on Disposal of Property, Plant and Equipment	717 870	814 615
Contribution to Post-retirement Health Care Benefits	41 997	(935 108)
Contribution to Impairment Provision	123 327	868 546
Bad Debts Written-off	-	-
Operating surplus before working capital changes	3 511 846	(1 384 318)
Decrease/(Increase) in Receivables from Exchange Transactions	88 954	515 725
Decrease/(Increase) in VAT Receivable	(650 316)	580 090
Decrease/(Increase) in Operating Lease Assets	(14 209)	699
Increase/(Decrease) in Payables from Exchange Transactions	(1 715 427)	(1 632 518)
Increase/(Decrease) in Conditional Grants and Receipts	655 472	93 817
Cash generated by / (utilised in) Operations	1 876 320	(1 826 505)
35. NON-CASH INVESTING AND FINANCING TRANSACTIONS		
During the 2016 financial year, the Municipality did not acquire (2015: R1 511 000) any equipment under a finance lease. Any acquisition will be reflected in the Cash Flow Statement over the term of the finance lease via lease repayments.		
36. FINANCING FACILITIES		
Unsecured Bank Overdraft Facility, reviewed annually and payable at call:		
- Amount used	-	-
- Amount unused	-	-
	-	-
Unsecured Fleet Card Facility, reviewed annually and payable monthly:		
- Amount used	-	-
- Amount unused	100 000	100 000
	-	-

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37. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 12)	2 374 428	3 537 404
Used to finance Property, Plant and Equipment - at cost	(2 374 428)	(3 537 404)
Sub-total	<u>-</u>	<u>-</u>
Cash set aside for the Repayment of Long-term Liabilities	-	-
Cash invested for Repayment of Long-term Liabilities	<u><u>-</u></u>	<u><u>-</u></u>

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

38. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

38.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	2 220 039	2 220 039
Unauthorised Expenditure current year	-	-
Approved by Council or condoned	-	-
Transfer to Receivables for recovery (see Note 2)	-	-
Unauthorised Expenditure awaiting authorisation	<u><u>2 220 039</u></u>	<u><u>2 220 039</u></u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted Votes exceeded:</i>	
None were identified	

38.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	811 122	694 275
Fruitless and Wasteful Expenditure current year	-	248 004
Correction of Prior Year Estimate	-	(131 157)
Condoned or written off by Council	-	-
Transfer to Receivables for recovery (see Note 2)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u><u>811 122</u></u>	<u><u>811 122</u></u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>The Fruitless and Wasteful Expenditure identified was inspected and it can be categorised as follows:</i>	
No Fruitless and Wasteful Expenditure have been identified in the current year (2015: The Municipality incurred interest on the account of the Auditor-General. This is the result of the balance outstanding at yearend, which could not be paid by the Municipality due to cash flow constraints. Subsequently, management has engaged the Auditor-General and has agreed to a settlement agreement. To date, the Municipality has complied with the settlement conditions).	

38. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (continued)

38.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	56 543 060	54 568 650
Irregular Expenditure current year	2 566 915	1 974 410
Condoned or written off by Council	(59 109 975)	-
Transfer to Receivables for recovery (see Note 2)	-	-
Irregular Expenditure awaiting condonement	<u><u>-</u></u>	<u><u>56 543 060</u></u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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Incident	Disciplinary Steps / Criminal Proceedings
<i>The Irregular Expenditure identified was inspected and it can be categorised as follows:</i>	
Original Tax Clearance Certificates not provided: Instance occurred whereby the Municipality acquired services in excess of R15 000 from providers for which it did not have an Original Tax Certificate = R83 900 (2015: R17 117).	No disciplinary steps have been taken as no individual or group of individuals have been identified to be the guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses. Council has condoned the expenditure.
Preferential Procurement not followed: The Municipality incurred expenditure in excess of R30 000 whereby the PPPFA stipulations and requirements were not followed = R416 583 (2015: 1 946 173).	
SCM Process not followed: The Municipality incurred expenditure amounting to R1 756 979 where the SCM process was not followed.	
Three Quotations not obtained: Expenditure amounting to R264 126 were incurred whereby the required number of quotations were not obtained.	
Other non-compliance: Expenditure amounting to R5 750 could not be substantiated by the original documentation (mailed documentation used for payment) and late payments amounting to R39 576 occurred during the year.	

39. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (UNAUDITED)

39.1 Contributions to organised local government - SALGA

Opening Balance	-	462 500
Council Subscriptions	439 500	-
Amount Paid - current year	(439 500)	(462 500)
Amount Paid - previous years	-	-
Balance Prepaid (included in Creditors)	<u>-</u>	<u>-</u>

39.2 Audit Fees

Opening Balance	3 906 114	3 039 331
Current year audit fee	1 224 878	2 138 065
Current year interest	-	248 004
Amount Paid - current year	(3 883 124)	(643 641)
Amount Paid - previous years	-	(875 645)
Balance Unpaid (included in Creditors)	<u>1 247 869</u>	<u>3 906 114</u>

39.3 VAT

The net of VAT input payables and VAT output receivables are shown in Notes 3. All VAT returns have been submitted by the due date throughout the year.

39.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	5 292 651	4 965 157
Amount Paid - current year	(5 292 651)	(4 965 157)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

39.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	5 292 651	5 699 974
Amount Paid - current year	(5 292 651)	(5 699 974)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

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39. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

39.6 Non-Compliance with the Municipal Finance Management Act

The Municipality incurred non-compliance to the following section of the indicated chapters of the MFMA during the year under review:

Description	Chapter	Section	Sub-section
Unauthorised, Irregular or Fruitless and Wasteful Expenditure	4	32	4
General Financial Management Functions	8	62	1
Revenue Management	8	64	2
Expenditure Management	8	65	1 & 2
Disclosures on Intergovernmental and Other Allocations	12	123	
Disclosures concerning Councillors, Directors and Officials	12	124	
Other Compulsory Disclosures	12	125	
Audit Committees	14	166	

39.7 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

All deviations from the the Municipality's Supply Chain Management Policy were identified and disclosed as irregular expenditure in Note 38.3.

40. COMMITMENTS FOR EXPENDITURE

40.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Other

28 500	929 009
28 500	929 009

- Approved but Not Yet Contracted for:-

Infrastructure

Other

-	-
-	-
-	-

Total Capital Commitments

28 500	929 009
---------------	----------------

This expenditure will be financed from:

Government Grants

Own Resources

28 500	929 009
-	-
28 500	929 009

40.2 Lease Commitments

Non-cancellable Operating Lease Commitments are disclosed in Note 12.

40.3 Other Commitments

The Municipality has entered into a contract with Ducharme Consulting (Pty) Ltd during the 2016 financial year for the compilation of Annual Financial Statements and audit assistance, which will give rise to a total charge of R253,810.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
41. FINANCIAL INSTRUMENTS			
41.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the Municipality are classified as follows:			
	<u>Financial Assets</u>		<u>Classification</u>
Receivables from Exchange Transactions			
Property Rental Debtors	Amortised cost	-	165 110
Shared Services	Amortised cost	62 015	-
Sundry Debtors	Amortised cost	105 925	215 111
Cash and Cash Equivalents			
Term Deposits	Amortised cost	43 152	41 708
Call Deposits	Amortised cost	409 390	235 008
Bank Balances	Amortised cost	97 665	248 085
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Receivables from Exchange Transactions	Property Rental Debtors	-	165 110
Receivables from Exchange Transactions	Shared Services	62 015	-
Receivables from Exchange Transactions	Sundry Debtors	105 925	215 111
Cash and Cash Equivalents	Term Deposits	43 152	41 708
Cash and Cash Equivalents	Call Deposits	409 390	235 008
Cash and Cash Equivalents	Bank Balances	97 665	248 085
Total Financial Assets		718 147	905 022
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the Municipality are classified as follows:			
	<u>Financial Liabilities</u>		<u>Classification</u>
Long-term Liabilities			
Annuity Loans	Amortised cost	1 921 326	2 521 958
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	879 002	283 342
Payments received in Advance	Amortised cost	68 273	17 445
Advances from Road Department	Amortised cost	240 750	240 750
Other Creditors	Amortised cost	1 381 776	3 989 323
Accrued Leave	Amortised cost	1 501 996	1 256 834
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	658 832	630 080
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	1 921 326	2 521 958
Payables from Exchange Transactions	Trade Creditors	879 002	283 342
Payables from Exchange Transactions	Payments received in Advance	68 273	17 445
Payables from Exchange Transactions	Advances from Road Department	240 750	240 750
Payables from Exchange Transactions	Other Creditors	1 381 776	3 989 323
Payables from Exchange Transactions	Accrued Leave	1 501 996	1 256 834
Current Portion of Long-term Liabilities	Annuity Loans	658 832	630 080
Total Financial Liabilities		6 651 955	8 939 732

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41. FINANCIAL INSTRUMENTS (continued)

41.2 Capital Risk Management

The Municipality manages its capital to ensure that the Municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The Municipality's overall strategy remains unchanged from 2010.

The capital structure of the Municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 12, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 14 and the Statement of Changes in Net Assets.

Gearing Ratio

In terms of the Municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95,00%, reducing 90,00%. This aggressive ratio is as a result of the development challenges faced by the Municipality. The rate of borrowing is well below market related rates.

The gearing ratio at the year-end was as follows:

Debt	2 374 428	3 537 404
Cash and Cash Equivalents	550 207	524 801
Net Debt	<u>2 924 635</u>	<u>4 062 205</u>
Equity	<u>11 062 312</u>	<u>11 656 109</u>
Net debt to equity ratio	<u>26.44%</u>	<u>34.85%</u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the Municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

41.3 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, Municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The Municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the Municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

41.4 Significant Risks

It is the policy of the Municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the Municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

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Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the Municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the Municipality's receivables from customers and investment securities.

41. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

Liquidity Risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 41.8 to the Annual Financial Statements.

41.5 Market Risk

The Municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 41.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the Municipality's exposure to market risks or the manner in which it manages and measures the risk.

41.5.1 Foreign Currency Risk Management

The Municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

41.5.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The Municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The Municipality is not exposed to credit interest rate risk as the Municipality has no borrowings.

The Municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

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Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 56.8 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Municipality's:

Surplus for the year ended 30 June 2016 would have decreased by R5 358 (2015: R8 925). This is mainly attributable to the Municipality's exposure to interest rates on its variable rate investments.

41.6 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Municipality. The Municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Municipality uses its own trading records to assess its major customers. The Municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

41. FINANCIAL INSTRUMENTS (continued)

Investments/Bank, Cash and Cash Equivalents

The Municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The Municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The Municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The Municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The Municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The Municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Receivables from Exchange Transactions	1 735 504	1 807 911
Bank, Cash and Cash Equivalents	550 207	524 801
Maximum Credit and Interest Risk Exposure	2 285 711	2 332 712
The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:		
	%	%
Other Debtors:		
- Other not Classified	100%	100%
Total Credit Risk	100%	100%

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Bank and Cash Balances		
ABSA Bank Ltd	550 207	524 801
Total Bank and Cash Balances	<u><u>550 207</u></u>	<u><u>524 801</u></u>

Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from Exchange Transactions		
Group 1	1 735 504	1 807 911
Group 2	-	-
Group 3	-	-
Total Receivables from Exchange Transactions	<u><u>1 735 504</u></u>	<u><u>1 807 911</u></u>

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

41. FINANCIAL INSTRUMENTS (Continued)

41.7 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the Municipality's short, medium and long-term funding and liquidity management requirements. The Municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 36 is a listing of additional undrawn facilities that the Municipality has at its disposal to further

Liquidity and Interest Risk Tables

The Municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the Municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2016								
Non-interest Bearing			4 822 890	4 822 890	-	-	-	-
- Payables from Exchange transactions	10	0.00%	4 822 890	4 822 890	-	-	-	-
Fixed Interest Rate Instruments			788 498	394 249	394 249	-	-	-
- DBSA	12	10.00%	788 498	394 249	394 249	-	-	-
Variable Interest Rate Instruments			1 650 782	690 387	662 058	298 336	-	-
- Canon	12	Various	1 650 782	690 387	662 058	298 336	-	-
			5 611 388	5 217 139	394 249	-	-	-
30 June 2015								
Non-interest Bearing			6 538 317	6 538 317	-	-	-	-
- Payables from Exchange transactions	10	0.00%	6 538 317	6 538 317	-	-	-	-
Fixed Interest Rate Instruments			2 168 720	394 249	394 249	788 698	591 524	-
- DBSA	12	10.00%	2 168 720	394 249	394 249	788 698	591 524	-
Variable Interest Rate Instruments			3 192 357	750 526	750 526	1 391 541	299 764	-
- Canon	12	Various	3 192 357	750 526	750 526	1 391 541	299 764	-
			8 707 037	6 932 566	394 249	788 698	591 524	-

The Municipality did not have access to financing facilities at the reporting date. The Municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

41.8 Other Price Risks

The Municipality is not exposed to equity price risks arising from equity investments as the Municipality does not trade these investments.

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42. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the Municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R3 174 629 (2015: R2 929 458) represents contributions payable to these plans by the Municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the assets of the fund amounted to R31,425 (30 June 2012: R(7,980)) million, with funding levels of 100.2% and 105.1% (30 June 2012: 99.9% and 108.0%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

43. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

43.1 Interest of Related Parties

No relationships have been identified.

43.2 Services rendered to Related Parties

The Municipality did not render any services during the year to anyone that can be considered as a related party.

43.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No such loans existed at yearend.

43.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

43.5 Purchases from Related Parties

The Municipality did not buy goods from any companies which can be considered to be Related Parties.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
44. CONTINGENT LIABILITIES		
No Contingent Liabilities existed at yearend.		
45. CONTINGENT ASSETS		
The Municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.		
46. IN-KIND DONATIONS AND ASSISTANCE		
The Municipality did received In-kind Donations in the form of Donated Assets. The financial effect of the Donation is as follows:		
Increase / (Decrease) in Property Plant and Equipment	-	1 249
(Increase) / Decrease in Donations Received	-	(1 400)
Increase / (Decrease) in Depreciation Expense	-	151
	<u>-</u>	<u>-</u>
No restrictions and / or conditions were attached to the donation.		
47. PRIVATE PUBLIC PARTNERSHIPS		
The Municipality was not a party to any Private Public Partnerships during the year under review.		
48. EVENTS AFTER THE REPORTING DATE		
No events having financial implications requiring disclosure occurred subsequent to 30 June 2016.		
49. COMPARATIVE FIGURES		
The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 31) and Prior Period Errors (Note 32).		
50. GOING CONCERN ASSESSMENT		
Management considered the following matters relating to the Going Concern:		
(i) On 1 May 2013 the Council adopted the 2013/14 to 2015/16 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of Municipal services to residents reflected that the Budget was cash-backed over the three-year period.		
(ii) The Municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.		
(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.		
(iv) As the Municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.		
(v) The unspent conditional grant balance is currently not cash-backed. Certain expenses were incurred during the current and previous financial years, which did not meet the requirements of certain grants. These costs were reversed against the grant. The Municipality has begun to generate the shortfall within its own operating budget.		
Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.		

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 1 July 2015	Received during the Period	Redeemed/ Written Off during Period
ANNUITY LOANS	R				R	R	R
DBSA	4 925 202	10.00%	102 850	2018/03/31	1 891 878	-	(629 384)
Total Annuity Loans	4 925 202				1 891 878	-	(629 384)
CAPITAL LEASE LIABILITIES							
Canon	1 870 649	Various	Various	2016/11/01	1 645 526	-	(533 592)
Total Capital Lease Liabilities	1 870 649				1 645 526	-	(533 592)
TOTAL EXTERNAL LOANS	6 795 851				3 537 404	-	(1 162 976)

ANNUITY LOANS:

DBSA:

The Annuity Loan is repaid over a period of 10 (2015: 10) years, at an interest rate of 10.00% (2015: 10.00%) per annum. The Annuity Loan is not secured.

CAPITAL LEASE LIABILITIES:

Canon:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 3 years (2015: 3 years). The effective interest rate on Finance Leases is 7.93% (2015: 1.48% and 8.31%).

Note: The rates of interest payable on the above structured loans and finance leases are based on certain underlying assumptions relating to the lenders' : the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the any other relevant legislation which impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable their remaining lives, in order to absorb the increase or decrease in costs.

Balance at 30 June 2016
R
1 262 494
1 262 494
1 111 934
1 111 934
2 374 428

between 2.16% and

**statutory costs and
Income Tax Act or
e on the loans over**

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R
Land and Buildings									
Land	27 200	-	(200)	27 000	-	-	-	-	27 000
Buildings	15 191 960	-	(120 000)	15 071 960	5 821 857	916 425	(78 730)	6 659 552	8 412 408
	15 219 160	-	(120 200)	15 098 960	5 821 857	916 425	(78 730)	6 659 552	8 439 408
Leased Assets									
Office Equipment	1 894 010	-	-	1 894 010	727 010	781 285	-	1 508 296	385 714
	1 894 010	-	-	1 894 010	727 010	781 285	-	1 508 296	385 714
Other Assets									
<i>Emergency Equipment</i>									
Emergency Equipment	156 083	-	-	156 083	118 650	7 477	-	126 128	29 955
<i>Vehicles</i>									
Motor Vehicles	643 128	870 592	-	1 513 720	196 985	65 387	-	262 372	1 251 348
Trucks	863 938	-	-	863 938	284 620	23 721	-	308 341	555 597
Trailers	10 890	-	-	10 890	4 645	233	-	4 878	6 012
<i>Furniture And Fittings</i>									
Tables and desks	706 405	-	-	706 405	534 128	26 666	-	560 794	145 610
Furniture And Fittings	773 569	-	-	773 569	587 899	29 165	-	617 065	156 504
Chairs	419 455	1 754	-	421 209	257 245	28 852	(5 603)	280 494	140 715
<i>Office Equipment</i>									
Electronic Equipment	251 509	12 883	-	264 393	182 053	18 968	(1 489)	199 531	64 862
Air Conditioner	353 787	56 750	-	410 537	286 838	13 433	-	300 271	110 266
Computer Hardware	981 315	163 262	-	1 144 576	681 710	84 393	(4 158)	761 944	382 632
Other Office Equipment	174 800	-	-	174 800	124 542	14 850	(508)	138 884	35 916
<i>Plant And Equipment</i>									
Compressor/Generator	47 684	-	-	47 684	38 525	1 100	-	39 624	8 060
	5 382 564	1 105 240	-	6 487 804	3 297 840	314 244	(11 759)	3 600 325	2 887 478
Total	22 495 734	1 105 240	(120 200)	23 480 774	9 846 708	2 011 954	(90 489)	11 768 173	11 712 601

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2016

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Investment Properties	R	R	R	R	R	R	R	R	R
Land And Buildings	1 953 700	-	(1 093 700)	860 000	-	-	-	-	860 000
	1 953 700	-	(1 093 700)	860 000	-	-	-	-	860 000

ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2016

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Intangible Assets	R	R	R	R	R	R	R	R	R
Computer Software	397 692	-	-	397 692	360 319	22 899	-	383 218	14 474
	397 692	-	-	397 692	360 319	22 899	-	383 218	14 474
Total Asset Register	24 847 126	1 105 240	(1 213 900)	24 738 466	10 207 026	2 034 854	(90 489)	12 151 391	12 587 075

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R
Budget And Treasury Office	24 847 126	1 105 240	(1 213 900)	24 738 466	10 207 026	2 034 854	(90 489)	12 151 391	12 587 075
Total	24 847 126	1 105 240	(1 213 900)	24 738 466	10 207 026	2 034 854	(90 489)	12 151 391	12 587 075

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

2015 Actual Income	2015 Actual Expenditure	2015 Surplus/ (Deficit)	Description	2016 Actual Income	2016 Actual Expenditure	2016 Surplus/ (Deficit)
R	R	R		R	R	R
164 944	(7 524 766)	(7 359 822)	Administration	142 046	(7 001 766)	(6 859 721)
18 837 154	(12 743 348)	6 093 807	Finance	20 803 916	(12 578 485)	8 225 431
-	(2 080 651)	(2 080 651)	Development and Infrastructure	-	(2 747 210)	(2 747 210)
-	(2 137 220)	(2 137 220)	Environmental Health	-	(2 832 860)	(2 832 860)
1 030 000	(3 027 126)	(1 997 126)	Housing	1 000 000	(2 508 441)	(1 508 441)
-	(3 486 198)	(3 486 198)	Internal Audit	-	(3 683 293)	(3 683 293)
3 282 000	(7 316 807)	(4 034 807)	Council Expenses	2 506 421	(7 068 207)	(4 561 786)
529	(1 554 086)	(1 553 557)	Municipal Manager	-	(1 546 972)	(1 546 972)
12 840 184	(922 557)	11 917 626	I D P	21 392 738	(6 108 504)	15 284 234
314 958	(2 593 741)	(2 278 783)	Protection Services	349 042	(2 557 016)	(2 207 974)
4 249 789	(1 712 509)	2 537 280	Shared Services	3 976 382	(943 991)	3 032 391
				-	-	-
40 719 559	(45 099 009)	(4 379 450)	Total	50 170 544	(49 576 745)	593 799

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(1)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2016

Description	2016										2015	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE - STANDARD												
Governance and Administration:												
Executive and Council	2 711 000	500 000	3 211 000	-	3 211 000	2 648 467	-	(562 533)	(17.52)%	(2.31)%	-	3 447 473
Budget and Treasury Office	20 281 000	996 000	21 277 000	-	21 277 000	20 803 916	-	(473 084)	(2.22)%	2.58%	-	18 837 154
Corporate Services	4 402 875	576 125	4 979 000	-	4 979 000	3 976 382	-	(1 002 618)	(20.14)%	0.00%	-	4 249 789
		-										
Community and Public Safety:												
Public Safety	700 000	-	700 000	-	700 000	349 042	-	(350 958)	(50.14)%	(50.14)%	-	314 958
Housing	-	970 000	970 000	-	970 000	1 000 000	-	30 000	3.09%	0.00%	-	1 030 000
Economic and Environmental Services:												
Planning and Development	18 640 000	3 050 000	21 690 000	-	21 690 000	21 392 738	-	(297 262)	(1.37)%	14.77%	-	12 840 184
Total Revenue - Standard	46 734 875	6 092 125	52 827 000	-	52 827 000	50 170 544	-	(2 656 456)			-	40 719 559
EXPENDITURE - STANDARD												
Governance and Administration:												
Executive and Council	9 048 159	79 324	9 127 483	-	9 127 483	15 616 945	-	6 489 462	71.10%	72.60%	-	16 395 660
Budget and Treasury Office	14 362 027	808 243	15 170 270	-	15 170 270	12 578 485	-	(2 591 785)	(17.08)%	(12.42)%	-	12 743 348
Corporate Services	12 222 896	(95 785)	12 127 111	-	12 127 111	4 627 284	-	(7 499 827)	(61.84)%	(62.14)%	-	5 198 707
Community and Public Safety:												
Public Safety	2 492 881	160 859	2 653 740	-	2 653 740	2 557 016	-	(96 724)	(3.64)%	2.57%	-	2 593 741
Housing	2 526 995	44 205	2 571 200	-	2 571 200	2 508 441	-	(62 759)	(2.44)%	(0.73)%	-	3 027 126
Health	2 966 281	(257 281)	2 709 000	-	2 709 000	2 832 860	-	123 860	4.57%	(4.50)%	-	2 137 220
Economic and Environmental Services:												
Planning and Development	6 471 282	3 679 845	10 151 127	-	10 151 127	8 855 714	-	(1 295 413)	(12.76)%	36.85%	-	3 003 208
Total Expenditure - Standard	50 090 521	4 419 410	54 509 931	-	54 509 931	49 576 745	-	(4 933 186)			-	45 099 009
Surplus/(Deficit) for the year	(3 355 646)	1 672 715	(1 682 931)	-	(1 682 931)	593 799	-	2 276 730			-	(4 379 450)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(2)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2016

Description	2016										2015	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE												
Vote 1 - Emergency and Disaster Management	700 000	-	700 000	-	700 000	349 042	-	(350 958)	(50.14)%	(50.14)%	-	314 958
Vote 2 - Support and Social Services	-	80 000	80 000	-	80 000	142 046	-	62 046	77.56%	100.00%	-	164 944
Vote 3 - Budget and Treasury	20 281 000	996 000	21 277 000	-	21 277 000	20 803 916	-	(473 084)	(2.22)%	2.58%	-	18 837 154
Vote 4 - Council Expenses	2 711 000	500 000	3 211 000	-	3 211 000	2 506 421	-	(704 579)	(21.94)%	(7.55)%	-	3 282 000
Vote 5 - IDP	18 640 000	3 050 000	21 690 000	-	21 690 000	21 392 738	-	(297 262)	(1.37)%	14.77%	-	12 840 184
Vote 6 - Municipal Manager	-	-	-	-	-	-	-	-	-	-	-	529
Vote 10 - Housing	-	970 000	970 000	-	970 000	1 000 000	-	30 000	3.09%	-	-	1 030 000
Vote 11 - Shared Service	4 402 875	496 125	4 899 000	-	4 899 000	3 976 382	-	(922 618)	(18.83)%	(9.69)%	-	4 249 789
Total Revenue by Vote	46 734 875	6 092 125	52 827 000	-	52 827 000	50 170 544	-	(2 656 456)			-	40 719 559
EXPENDITURE BY VOTE												
Vote 1 - Emergency and Disaster Management	2 492 881	160 859	2 653 740	-	2 653 740	2 557 016	-	(96 724)	(3.64)%	2.57%	-	2 593 741
Vote 2 - Support and Social Services	6 865 939	436 329	7 302 268	-	7 302 268	7 001 766	-	(300 502)	(4.12)%	1.98%	-	7 524 766
Vote 3 - Budget and Treasury	14 362 027	808 243	15 170 270	(167 000)	15 003 270	12 578 485	-	(2 424 785)	(16.16)%	(12.42)%	-	12 743 348
Vote 4 - Council Expenses	7 553 345	(18 534)	7 534 811	-	7 534 811	7 068 207	-	(466 604)	(6.19)%	(6.42)%	-	7 316 807
Vote 5 - IDP	3 872 000	3 554 000	7 426 000	-	7 426 000	6 108 504	-	(1 317 496)	(17.74)%	57.76%	-	922 557
Vote 6 - Municipal Manager	1 494 814	97 858	1 592 672	-	1 592 672	1 546 972	-	(45 700)	(2.87)%	3.49%	-	1 554 086
Vote 7 - Internal Audit	3 558 450	273 250	3 831 700	-	3 831 700	3 683 293	-	(148 407)	(3.87)%	3.51%	-	3 486 198
Vote 8 - Development ant Infrastructure	2 599 282	125 845	2 725 127	37 000	2 762 127	2 747 210	-	(14 917)	(0.54)%	5.69%	-	2 080 651
Vote 9 - Environmental Health	2 966 281	(257 281)	2 709 000	130 000	2 839 000	2 832 860	-	(6 140)	(0.22)%	(4.50)%	-	2 137 220
Vote 10 - Housing	2 526 995	44 205	2 571 200	-	2 571 200	2 508 441	-	(62 759)	(2.44)%	(0.73)%	-	3 027 126
Vote 11 - Shared Service	1 798 507	(805 364)	993 143	-	993 143	943 991	-	(49 152)	(4.95)%	(47.51)%	-	1 712 509
Total Expenditure by Vote	50 090 521	4 419 410	54 509 931	-	54 509 931	49 576 745	-	(4 933 186)			-	45 099 009
Surplus/(Deficit) for the year	(3 355 646)	1 672 715	(1 682 931)	-	(1 682 931)	593 799	-	2 276 730			-	(4 379 450)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(3)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

Description	2016										2015	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R
Revenue by Source												
Government Grants and Subsidies Received	41 857 000	4 470 000	46 327 000	-	46 327 000	46 519 539	-	192 539	0.42%	11.14%	-	37 578 893
Public Contributions and Donations	-	-	-	-	-	-	-	-	-	-	-	5 700
Rental of Facilities and Equipment	-	80 000	80 000	-	80 000	142 046	-	62 046	77.56%	100.00%	-	174 928
Interest Earned - External Investments	205 000	200 000	405 000	-	405 000	495 478	-	90 478	22.34%	141.70%	-	355 980
Other Revenue	4 722 875	1 292 125	6 015 000	-	6 015 000	3 506 227	-	(2 508 773)	(41.71)%	(25.76)%	-	3 418 673
Total Revenue (excluding Capital Transfers & Contribution)	46 784 875	6 042 125	52 827 000	-	52 827 000	50 663 291	-	(2 163 709)			-	41 534 174
Expenditure												
Employee Related Costs	28 138 000	(1 300 000)	26 838 000	-	26 838 000	28 315 405	-	1 477 405	5.50%	0.63%	-	25 544 394
Remuneration of Councillors	3 816 000	(90 000)	3 726 000	-	3 726 000	3 727 252	-	1 252	0.03%	(2.33)%	-	3 542 912
Depreciation and Amortisation	2 000 000	249 000	2 249 000	-	2 249 000	2 034 854	-	(214 146)	(9.52)%	1.74%	-	2 248 479
Impairment Losses	-	-	-	-	-	123 327	-	123 327	100.00%	100.00%	-	868 546
Repairs and Maintenance	280 000	(79 000)	201 000	-	201 000	241 067	-	40 067	19.93%	(13.90)%	-	302 791
Finance Costs	162 000	20 000	182 000	-	182 000	1 031 280	-	849 280	466.64%	536.59%	-	1 248 445
Contracted Services	625 000	625 000	1 250 000	-	1 250 000	239 300	-	(1 010 700)	(80.86)%	(61.71)%	-	56 930
Grants and Subsidies Paid	-	-	-	-	-	5 950 023	-	5 950 023	100.00%	100.00%	-	1 353 287
General Expenses	15 039 000	5 027 000	20 066 000	-	20 066 000	7 689 116	-	(12 376 884)	(61.68)%	(48.87)%	-	9 933 226
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	717 870	-	717 870	0.00%	0.00%	-	814 615
Total Expenditure	50 060 000	4 452 000	54 512 000	-	54 512 000	50 069 493	-	(4 442 507)			-	45 913 625
Surplus/(Deficit) for the Year	(3 275 125)	1 590 125	(1 685 000)	-	(1 685 000)	593 798	-	2 278 798			-	(4 379 450)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(4)

RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2016

Description	2016										20
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE - VOTE											
Multi-year Expenditure											
Vote 1 - Emergency and Disaster Management	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Support and Social Services	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget and Treasury	-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Council Expenses	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - IDP	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Municipal Manager	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Internal Audit	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Development ant Infrastructure	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Environmental Health	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Housing	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Shared Service	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Multi-year	-	-	-	-	-	-	-	-	-	-	-
Single-year Expenditure											
Vote 1 - Emergency and Disaster Management	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Support and Social Services	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget and Treasury	-	11 000	11 000	-	11 000	1 105 241	-	1 094 241	9947.65%	100.00%	-
Vote 4 - Council Expenses	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - IDP	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Municipal Manager	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Internal Audit	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Development ant Infrastructure	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Environmental Health	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Housing	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Shared Service	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Single-year	-	11 000	11 000	-	11 000	1 105 241	-	1 094 241			-
Total Capital Expenditure - Vote	-	11 000	11 000	-	11 000	1 105 241	-	1 094 241			-
CAPITAL EXPENDITURE - STANDARD											
Governance and Administration:											
Executive and Council	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Budget and Treasury Office	-	11 000	11 000	-	11 000	1 105 241	-	1 094 241	9947.65%	100.00%	-
Corporate Services	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Community and Public Safety:											
Public Safety	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Housing	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Health	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Economic and Environmental Services:											
Planning and Development	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Environmental Protection	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Total Capital Expenditure - Standard	-	11 000	11 000	-	11 000	1 105 241	-	1 094 241			-
FUNDED BY:											
National Government	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Provincial Government	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Transfers Recognised - Capital	-	-	-	-	-	-	-	-			-
Borrowing	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Internally Generated Funds	-	11 000	11 000	-	11 000	1 105 241	-	1 094 241	9947.65%	100.00%	-
Total Capital Funding	-	11 000	11 000	1 -	11 000	1 105 241	-	1 094 241			-

[illegible]



PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(5)

RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

Description	2016								2015
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Government - Operating	41 807 000	4 520 000	46 327 000	46 327 000	47 175 011	848 011	1.83%	12.84%	37 035 793
Government - Capital	4 722 825	1 292 125	6 014 950	6 014 950	-	(6 014 950)	(100.00)%	(100.00)%	636 918
Interest	205 000	200 000	405 000	405 000	495 478	90 478	22.34%	141.70%	355 979
Other Receipts	-	-	-	-	3 123 530	3 123 530	(100.00)%	(100.00)%	4 410 795
Payments									
Suppliers and Employees	(31 954 146)	1 389 795	(30 564 351)	(30 564 351)	(47 886 417)	(17 322 066)	56.67%	49.86%	(43 017 546)
Finance Charges	(160 000)	(20 000)	(180 000)	(180 000)	(1 031 280)	(851 280)	472.93%	544.55%	(1 248 445)
Transfers and Grants	(15 943 640)	(4 901 860)	(20 845 500)	(20 845 500)	-	20 845 500	(100.00)%	(100.00)%	-
NET CASH FROM / (USED) OPERATING ACTIVITIES	(1 322 961)	2 480 060	1 157 099	1 157 099	1 876 322	719 223			(1 826 506)
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on Disposal of PPE	-	-	-	-	417 300	417 300	(100.00)%	(100.00)%	(2 603 517)
Payments									
Capital Assets	-	(11 000)	(11 000)	(11 000)	(1 105 241)	(1 094 241)	9947.65%	100.00%	628 173
NET CASH FROM / (USED) INVESTING ACTIVITIES	-	(11 000)	(11 000)	(11 000)	(687 941)	(676 941)			(1 975 344)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
New Loans raised	-	-	-	-	-	-	-	-	1 511 000
Payments									
Loans repaid	(629 000)	-	(629 000)	(629 000)	(1 162 976)	(533 976)	84.89%	84.89%	(768 223)
NET CASH FROM / (USED) FINANCING ACTIVITIES	(629 000)	-	(629 000)	(629 000)	(1 162 976)	(533 976)			742 777
NET INCREASE / (DECREASE) IN CASH HELD	(1 951 961)	2 469 060	517 099	517 099	25 405	(491 694)			(3 059 073)
Cash / Cash Equivalents at the Year begin:	8 359 000	(4 775 000)	3 584 000	3 584 000	524 802	(3 059 198)	(85.36)%	(93.72)%	3 583 875
Cash / Cash Equivalents at the Year end:	10 242 000	(7 360 000)	2 882 000	2 882 000	550 207	(2 331 793)	(80.91)%	(94.63)%	524 802

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Opening Balance	Total Receipts	Total Expenses	Net Grant	Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*)	Reason for Non-compliance
			Total	Total	Total		Yes / No	
Equitable Share	National Treasury	-	35 320 000	35 320 000	-	N/a	Yes	N/a
Housing Accreditation	COGSTHA	-	1 000 000	1 000 000	-	N/a	Yes	N/a
Health Subsidy	Provincial	-	500 000	492 748	7 252	N/a	Yes	N/a
EPWP	National Treasury	1 048	1 000 000	997 276	3 772	N/a	Yes	N/a
Financial Management (FMG)	National Treasury	-	1 250 000	1 250 000	-	N/a	Yes	N/a
Municipal Systems Improvement (MSIG)	National Treasury	-	930 000	930 000	-	N/a	Yes	N/a
Department of Roads	Provincial	(197 474)	1 015 487	818 013	-	N/a	Yes	N/a
RAMS Grant	Provincial	-	2 657 000	2 625 133	31 868	N/a	Yes	N/a
COGHTA Grant	COGSTHA	-	3 000 000	2 631 089	368 911	N/a	Yes	N/a
NEAR	Provincial	923 172	700 000	349 042	1 274 130	N/a	Yes	N/a
Electrification Programme	Provincial	898	-	-	898	N/a	Yes	N/a
Fire Fighting Equipment	Provincial	-	-	-	-	N/a	Yes	N/a
Total Grants and Subsidies Received		727 644	47 372 487	46 413 300	1 686 831			

Grant Expenditure per Vote

Name of Grant	Administration	Finance	Infrastructure	Housing	Internal Audit	Council	GOP / IDP	Public Safety
	Total	Total	Total	Total	Total	Total	Total	Total
Housing Accreditation	-	-	-	1 000 000	-	-	-	-
Health Subsidy	-	-	-	-	-	-	492 748	-
EPWP	-	-	-	-	-	-	997 276	-
Financial Management (FMG)	-	1 250 000	-	-	-	-	-	-
Municipal Systems Improvement (MSIG)	-	930 000	-	-	-	-	-	-
Department of Roads	818 013	-	-	-	-	-	-	-
RAMS Grant	-	-	-	-	-	-	2 625 133	-
COGHTA Grant	-	-	-	-	-	-	2 631 089	-
NEAR	-	-	-	-	-	-	-	-
Electrification Programme	-	-	-	-	-	-	-	-
Fire Fighting Equipment	-	-	-	-	-	-	-	349 042
Total Grants and Subsidies Received	818 013	2 180 000	-	1 000 000	-	-	6 746 246	349 042

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX G
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2016

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R
Mayor								
JZ Lolwana	-	758 012	-	12 000	-	-	-	770 012
Speaker								
MT Kibi	-	606 410	-	10 800	-	-	-	617 210
Executive Committee								
UR Itumeleng	-	568 510	-	9 600	-	-	-	578 110
TA Sintu	-	568 510	-	9 600	-	-	-	578 110
KJ Arens	-	6 860	-	-	-	-	-	6 860
Councillors								
GL Nkumbi	-	354 571	-	-	-	-	-	354 571
H de Villiers	-	57 120	-	-	-	-	-	57 120
NS Thomas	-	14 542	-	-	-	-	-	14 542
ME Bitterbos	-	14 542	-	-	-	-	-	14 542
WJ du Plessis	-	14 542	-	-	-	-	-	14 542
A Fritz	-	14 542	-	-	-	-	-	14 542
JH George	-	14 542	-	-	-	-	-	14 542
J Grobbelaar	-	228 481	-	-	-	-	-	228 481
DP Jason	-	14 542	-	-	-	-	-	14 542
P Louw	-	13 330	-	-	-	-	-	13 330
EL Schultz	-	171 361	-	-	-	-	-	171 361
CC Jantjies	-	7 271	-	-	-	-	-	7 271
PN Signeur	-	228 481	-	-	-	-	-	228 481
LC van Niekerk	-	14 542	-	-	-	-	-	14 542
FM van Wyk	-	14 542	-	-	-	-	-	14 542
Total for Councillors	-	3 685 252	-	42 000	-	-	-	3 727 252
Municipal Manager								
RE Pieterse	-	922 260	76 855	103 290	-	-	167 878	1 270 284
Chief Financial Officer								
BF James	-	832 200	69 350	89 068	-	-	151 668	1 142 286
Manager: Infrastructure								
HP Greeff	-	764 491	55 450	95 427	-	-	1 872	917 240
Manager: Planner PIMS								
TS Diokpala	-	136 423	9 733	16 760	-	-	32 004	194 920
Manager: Chief Corporate Services								
TA Loko	-	808 308	-	101 723	-	-	147 367	1 057 398
Manager: Office of the Executive Mayor								
MK Mfazwe	-	376 672	30 894	88 200	-	-	106 090	601 856
Communication Manager								
WAE Renene	-	101 964	49 961	22 050	-	-	17 151	191 126
BA Bosch	-	185 364	12 873	43 500	-	-	42 434	284 171
Total for Senior Managers	-	4 127 682	305 116	560 019	-	-	666 464	5 659 280
Total for Management	-	7 812 934	305 116	602 019	-	-	666 464	9 386 532

30 June 2015

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R
Mayor								
JZ Lolwana	-	718 495	-	12 000	-	-	-	730 495
Speaker								
MT Kibi	-	574 796	-	10 800	-	-	-	585 596
Executive Committee								
UR Itumeleng	-	538 872	-	9 600	-	-	-	548 472
TA Sintu	-	538 872	-	9 600	-	-	-	548 472
KJ Arens	-	69 520	-	28 030	-	-	-	97 550
Councillors								
GL Nkumbi	-	262 212	-	-	-	-	-	262 212
NS Thomas	-	13 719	-	-	-	-	-	13 719
ME Bitterbos	-	13 719	-	-	-	-	-	13 719
WJ du Plessis	-	13 719	-	-	-	-	-	13 719
A Fritz	-	13 719	-	-	-	-	-	13 719
JH George	-	13 719	-	-	-	-	-	13 719
J Grobbelaar	-	215 548	-	-	-	-	-	215 548
DP Jason	-	13 719	-	-	-	-	-	13 719
P Louw	-	13 719	-	-	-	-	-	13 719
EL Schultz	-	215 548	-	-	-	-	-	215 548
PN Signeur	-	215 548	-	-	-	-	-	215 548
LC van Niekerk	-	13 719	-	-	-	-	-	13 719
FM van Wyk	-	13 719	-	-	-	-	-	13 719
Total for Councillors	-	3 472 882	-	70 030	-	-	-	3 542 912
Municipal Manager								
RE Pieterse	-	856 800	71 400	100 481	-	-	156 090	1 184 771
Chief Financial Officer								
BF James	-	772 800	64 400	86 732	-	-	140 970	1 064 902
Manager: Infrastructure								
HP Greeff	-	348 644	-	54 135	-	-	1 089	403 867
Manager: Planner PIMS								
TS Diokpala	-	700 300	54 150	92 616	-	-	118 830	965 896
Manager: Chief Corporate Services								
TA Loko	-	700 800	58 400	98 519	-	-	128 010	985 729
Manager: Office of the Executive Mayor								
MK Mfazwe	-	230 984	-	58 800	-	-	65 837	355 621
Communication Manager								
WAE Renene	-	556 873	48 000	97 689	-	-	7 063	709 625
Total for Senior Managers	-	4 167 201	296 350	588 974	-	-	617 889	5 670 413
Total for Management	-	7 640 082	296 350	659 004	-	-	617 889	9 213 325

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)	
				2016	2015		
1. FINANCIAL POSITION							
A. Asset Management / Utilisation							
1.	Capital Expenditure to Total Expenditure	10% - 20%	Total Operating Expenditure Taxation Expense Total Capital Expenditure	2.18% 50 069 493 1 105 241	5.37% 45 913 625 2 603 517	As the Municipality is a District Municipality, it does not invest in Infrastructure Assets.	
2.	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%	PPE, Investment Property & Intangible Impairment PPE at Carrying Value IP at Carrying Value Intangible Assets at Carrying Value	0.00% - 11 712 603 860 000 14 475	0.00% - 12 660 786 1 953 700 37 374		
3.	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%	Total Repairs and Maintenance Expenditure PPE at Carrying Value Investment Property at Carrying Value	1.92% 241 067 11 712 603 860 000	2.07% 302 791 12 660 786 1 953 700		As the Municipality is a District Municipality, it does not invest in Infrastructure Assets and the repair / maintenance thereof.
B. Debtors Management							
1.	Collection Rate	95%	Gross Debtors Closing Balance Gross Debtors Opening Balance Bad Debts Written-off Billed Revenue	98.85% 1 453 140 1 416 360 -	61.61% 1 416 360 152 594 -		
2.	Bad Debts Written-off as % of Provision for Bad Debt	100%	Consumer Debtors Bad Debts Written-off Consumer Debtors Current Bad Debt Provision	0.00% -	0.00% -		
3.	Net Debtors Days	30 Days	Gross Debtors Bad Debts Provision Billed Revenue	152 Days 1 453 140 123 327 3 188 427	51 Days 1 416 360 868 546 3 283 481	A number of the Shared Service Debtors are not able to meet their financial responsibilities due to cash flow problems. These debtors were provided for.	
C. Liquidity Management							
1.	Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	1 - 3 Months	Cash and Cash Equivalents Unspent Conditional Grants Overdraft Short-term Investments Total Annual Operational Expenditure	0 Months 550 207 1 580 591 -	0 Months 524 801 925 119 -	The Municipality ensures that all debt is paid within the 30 day requirement as per the MFMA.	
2.	Current Ratio	1.5 - 2:1	Current Assets Current Liabilities	0.07 722 492 9 901 368	0.08 905 022 11 128 610	The unfavourable ratio is due to the current portion of the Retirement Benefit Liabilities.	
C. Liability Management							
1.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%	Interest Paid Redemption Total Operating Expenditure Taxation Expense	-0.26% 1 031 280 (1 162 976) 50 069 493 -	1.05% 1 248 445 (768 223) 45 913 625 -		
2.	Debt (Total Borrowings) / Revenue	45%	Total Debt Total Operating Revenue Operational Conditional Grants	57.30% 2 374 428 50 663 291 46 519 540	77.03% 3 537 404 41 534 174 36 941 975		
C. Sustainability							
1.	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%	Cash and Cash Equivalents Bank Overdraft Short Term Investment Long Term Investment Unspent Grants Net Assets Share Premium Share Capital Revaluation Reserve Fair Value Adjustment Reserve Accumulated Surplus	100.00% 550 207 - - - 1 580 591 (11 062 312) - - - -	100.00% 524 801 - - - 925 119 (11 656 109) - - - -		
2. FINANCIAL PERFORMANCE							
A. Efficiency							
1.	Net Operating Surplus Margin	= or > 0%	Total Operating Revenue Depreciation - Revalued Portion Total Operating Expenditure Taxation Expense	1.17% 50 663 291 - 50 069 493 -	-10.54% 41 534 174 - 45 913 625 -		
2.	Net Surplus / Deficit Electricity	0% - 15%	Total Electricity Revenue Total Electricity Expenditure	0.00% -	0.00% -	The Municipality is a District Municipality and the ratio is therefore not applicable.	
3.	Net Surplus / Deficit Water	= or > 0%	Total Water Revenue Total Water Expenditure	0.00% -	0.00% -	The Municipality is a District Municipality and the ratio is therefore not applicable.	

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2016	2015	
4.	Net Surplus / Deficit Refuse	= or > 0%	Total Refuse Revenue	0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Total Refuse Expenditure	-	-	
5.	Net Surplus / Deficit Sanitation and Waste Water	= or > 0%	Total Sanitation and Waste Water Revenue	0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Total Sanitation and Waste Water Expenditure	-	-	
B. Distribution Losses						
1.	Electricity Distribution Losses (Percentage)	7% - 10%	Number of Units Purchased and/or Generated	0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Number of Units Sold	-	-	
2.	Water Distribution Losses (Percentage)	15% - 30%	Number of Kilolitres Purchased and/or Purified	0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Number of Kilolitres Sold	-	-	
C. Revenue Management						
1.	Growth in Number of Active Consumer Accounts	None	Number of Active Debtors Accounts (Previous)	0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Number of Active Debtors Accounts (Current)	-	-	
2.	Revenue Growth (%)	= CPI	CPI	21.98%	5.79%	During the 2015 financial year, the Municipality incurred less Grant-related Expenditure resulting in the decrease in Expenditure as well as a decrease in the funds that can be recognised as Grants and Subsidies Received (Revenue). This is due to a number of projects that were completed during the year, which were carried forward from the 2014
			Total Revenue (Previous)	6.60%	5.50%	
			Total Revenue (Current)	41 534 174	39 262 324	
				50 663 291	41 534 174	
3.	Revenue Growth (%) - Excluding Capital Grants	= CPI	CPI	23.88%	4.16%	
			Total Revenue, excluding Capital Grants (Previous)	6.60%	5.50%	
			Total Revenue, excluding Capital Grants (Current)	40 897 256	39 262 324	
				50 663 291	40 897 256	
D. Expenditure Management						
1.	Creditors Payment Period (Trade Creditors)	30 Days	Trade Creditors	39 Days	10 Days	The Municipality has an arrangement with the Auditor-General by which it is repaying its outstanding debt.
			Contracted Services	879 002	283 342	
			Repairs and Maintenance	239 300	56 930	
			General Expenses	241 067	302 791	
			Bulk Purchases	7 689 116	9 933 226	
			Capital Credit Purchases	-	-	
				-	-	
2.	Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%	Irregular, Fruitless & Wasteful and Unauthorised Expenditure	0.00%	4.84%	
			Total Operating Expenditure	-	2 222 414	
			Taxation Expense	50 069 493	45 913 625	
3.	Remuneration as % of Total Operating Expenditure	25% - 40%	Employee / Personnel Related Cost	64.00%	53.35%	As the Municipality is a District Municipality, the Employee Related Costs represent the majority of its Operating Expenditure due to the nature of service provided.
			Councillors Remuneration	28 315 405	25 544 394	
			Total Operating Expenditure	3 727 252	3 542 912	
			Taxation Expense	50 069 493	45 913 625	
				-	-	
4.	Contracted Services % of Total Operating Expenditure	2% - 5%	Contracted Services	0.48%	0.12%	
			Total Operating Expenditure	239 300	56 930	
			Taxation Expense	50 069 493	45 913 625	
				-	-	
E. Grant Dependency						
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	None	Internally Generated Funds	100.00%	100.00%	The Municipality acquired Property, Plant and Equipment at a value of R1 511 000 through finance leases.
			Borrowings	(6 693)	957 991	
			Total Capital Expenditure	1 111 934	1 645 526	
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None	Internally Generated Funds	-0.61%	36.80%	Due to the maetrial decrease in the Municipality's cash reserves, it had to finance its capital needs through the use of finance leases.
			Total Capital Expenditure	(6 693)	957 991	
				1 105 241	2 603 517	
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	None	Total Revenue	8.18%	9.66%	Remained consistent with that of the previous financial year.
			Government Grant and Subsidies	50 663 291	41 534 174	
			Public Contributions and Donations	46 519 539	37 578 893	
			Capital Grants	-	5 700	
				-	636 918	

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2016	2015	
3. BUDGET IMPLEMENTATION						
A. Efficiency						
1.	Capital Expenditure Budget Implementation Indicator	95% - 100%		10047 65%	297 54%	The Municipality incurred additional additions for which it did not budget.
			Actual Capital Expenditure	1 105 241	2 603 517	
			Budgeted Capital Expenditure	11 000	875 000	
2.	Operating Expenditure Budget Implementation Indicator	95% - 100%		91.85%	92.65%	The Municipality implemented cost cutting procedures, which resulted in funds being saved.
			Actual Operating Expenditure	50 069 493	45 913 625	
			Budgeted Operating Expenditure	54 512 000	49 557 000	
3.	Operating Revenue Budget Implementation Indicator	95% - 100%		95.90%	99.81%	
			Actual Operating Revenue	50 663 291	41 534 174	
			Budgeted Operating Revenue	52 827 000	41 615 000	
4.	Service Charges and Property Rates Revenue Budget Implementation Indicator	95% - 100%		100.00%	100.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Actual Service Charges and Property Rates Revenue	0	0	
			Budgeted Service Charges and Property Rates Revenue	0	0	
Interpretation of Results:						
	The green colour indicates that the result is within the norm and is acceptable.					
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.					
	Data should be captured in the blue coloured cell to calculate a ratio.					
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced.					

ANNEXURE B:
AUDITOR
GENERAL
REPORT

Report of the auditor-general to the Northern Cape Provincial Legislature and the council on the Pixley Ka Seme District Municipality

Report on the financial statements

Introduction

1. I have audited the financial statements of the Pixley Ka Seme District Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2015 (Act No. 1 of 2015) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Pixley Ka Seme District Municipality as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with SA standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

8. As disclosed in note 32 to the financial statements, the corresponding figures for 30 June 2015 have been restated as a result of an error discovered during 2016 in the financial statements of the municipality at, and for the year ended, 30 June 2015.

Material impairments

9. As disclosed in note 2 to the financial statements, the municipality had receivables from exchange transactions totalling R1 735 504. A provision of R1 567 564 was created for irrecoverable debt relating to shared services and bonuses paid incorrectly.

Going concern

10. As disclosed in note 50 of the financial statements indicates that the municipality has a net liability position of R11 062 312 as at 30 June 2016 (2015: R11 656 109) and, as at that date, current cash reserves are not sufficient to settle all overdue outstanding short term debt. These conditions indicate the existence of material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.

Additional matter

11. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

12. In terms of section 125(2) (e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

Unaudited supplementary schedules

13. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. We have not audited these schedules and, accordingly, I do not express an opinion thereon.

Report on other legal and regulatory requirements

14. In accordance with the Public Audit Act of South Africa (PAA), 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected development priorities presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

15. I am unable to report on the usefulness and reliability of the performance information, as the annual performance report of the municipality as required by section 46 of the MSA and section 121(3) (c) of the MFMA was provided without complete and accurate underlying records, for the year under review as required by section 25 of the MSA and section 1, 21 and 53 of the MFMA.

Compliance with legislation

16. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Financial statements, performance and annual reports

17. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of expenditure identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records were provided, resulting in the financial statements receiving an unqualified audit opinion.
18. The 2014/15 annual report was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127(2) of the MFMA.

Procurement and contract management

19. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a).

Human resource management and compensation

20. The annual report of the municipality did not reflect information on compliance with prescribed minimum competencies as required by the Municipal Regulations on Minimum Competency Levels 14(2) (b).

Expenditure management

21. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1) (d) of the MFMA.

Revenue management

22. Interest was not charged on all accounts in arrears, as required by section 64(2) (g) of the MFMA.

Strategic planning and performance management

23. The adopted integrated development plan (IDP) did not reflect and identify a financial plan, as required by sections 26 and 41 of the MSA.

Internal control

24. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

25. Although material misstatements were corrected in the financial statements, there has been a decrease in the number of findings pertaining to compliance with laws and regulations. This can be attributed to the stringent controls that the municipality has implemented in preventing, detecting and reducing irregular expenditure, and establishing and communicating policies and procedures.
26. Weaknesses in the control environment, that are attributable to the lack of comprehensive business processes and standard operating procedures over financial and performance information , together with a lack of adequate reviews by the oversight bodies and inadequate implementation of the audit action plan has resulted in the repeat audit findings.

27. The municipality submitted an Annual Performance Report (APR) for the first time this year. However, the municipality does not have sufficient capacity to plan, manage and report on their performance. The performance indicators in the Integrated Development Plan, Service Delivery Budget Implementation Plan and the APR were not consistent thus making it difficult to conclude on the usefulness and reliability of the APR for 2015/16.

Financial and performance management

28. The accounting officer did not prepare regular, accurate and complete financial statements that are supported and evidenced by reliable information, review and monitor compliance with laws and regulations. As a result material misstatements were identified and subsequently corrected in the annual financial statements.
29. The systems underlying the procurement processes at the municipality were inadequate to prevent and detect irregular expenditure on contracts entered into, resulting in irregular expenditure that was disclosed in the accounting records of the municipality.
30. The underlying systems and controls were inadequate to provide reliable and accurate evidence to support the reporting on predetermined objectives.

Governance

31. The risk strategy put in place did not identify all risks relating to the achievement of financial and performance reporting objectives. Consequently, controls were not developed to prevent, detect and correct material misstatements in financial reporting and reporting on predetermined objectives.

Auditor-General

Kimberley

30 November 2016



Auditing to build public confidence